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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended June 30, 2015**

**OR**

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

**For the transition period from _____ to _____**

**Commission file number: 001-36620**

# Tokai Pharmaceuticals, Inc.
**(Exact name of registrant as specified in its charter)**

| **Delaware** | **20-1000967** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification Number)** |
| **255 State Street, 6th floor Boston, MA** | **02109** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(617) 225-4305**
**(Registrant's telephone number, including area code)**

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

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

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

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

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

As of July 31, 2015 there were 22,547,660 shares of Common Stock, $0.001 par value per share, outstanding.

**Tokai Pharmaceuticals, Inc.**

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

These forward-looking statements include, among other things, statements about:

- the anticipated timing, cost and conduct of our pivotal Phase 3 clinical trial of galeterone and our efforts to complete the clinical development of galeterone for CRPC patients with AR-V7;
- the development of the *in vitro* companion diagnostic to be used commercially with galeterone;
- the outcome of regulatory review of galeterone for the treatment of prostate cancer in CRPC patients with AR-V7 or in other indications or patient populations, and of any other future product candidates;
- the development of galeterone for the treatment of prostate cancer or in other indications, and of future product candidates, including compounds that are designed to disrupt androgen receptor signaling through enhanced androgen receptor degradation;
- our plans to enter into collaborations for the commercialization of galeterone and any other future product candidates;
- the potential benefits of any future collaboration;
- the rate and degree of market acceptance and clinical utility of our products;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our intellectual property position and strategy;
- our ability to identify additional products or product candidates with significant commercial potential;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- developments relating to our competitors and our industry; and
- the impact of government laws and regulations.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q, particularly in the "Risk Factors" section, that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, collaborations, joint ventures or investments that we may make or enter into.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**Tokai Pharmaceuticals, Inc.**

**Consolidated Balance Sheets**

**(In thousands, except share and per share data)**
**(Unaudited)**

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 59,084 | $ 105,256 |
| Marketable securities | 24,110 | — |
| Prepaid expenses and other current assets | 3,562 | 2,255 |
| Total current assets | 86,756 | 107,511 |
| Property and equipment, net | 339 | 33 |
| Restricted cash | 270 | 200 |
| Other assets | 45 | — |
| Total assets | $ 87,410 | $ 107,744 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,704 | $ 765 |
| Accrued expenses | 2,943 | 3,478 |
| Total current liabilities | 4,647 | 4,243 |
| Other long term liabilities | 13 | — |
| Total liabilities | 4,660 | 4,243 |
| Commitments and contingencies (Note 6) | | |
| Stockholders' equity: | | |
| Preferred stock, $0.001 par value; 5,000,000 shares authorized; no shares issued or outstanding | — | — |
| Common stock, $0.001 par value; 200,000,000 shares authorized; 22,486,944 and 22,382,340 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively | 22 | 22 |
| Additional paid-in capital | 191,298 | 189,830 |
| Accumulated other comprehensive loss | (2) | — |
| Accumulated deficit | (108,568) | (86,351) |
| Total stockholders' equity | 82,750 | 103,501 |
| Total liabilities and stockholders' equity | $ 87,410 | $ 107,744 |

The accompanying notes are an integral part of these consolidated financial statements.

**Tokai Pharmaceuticals, Inc.**

**Consolidated Statements of Operations and Comprehensive Loss**

**(In thousands, except share and per share data)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | $ — | $ — | $ — | $ — |
| Operating expenses: | | | | |
| Research and development | 5,855 | 4,392 | 16,414 | 7,948 |
| General and administrative | 3,127 | 1,493 | 5,868 | 2,829 |
| Total operating expenses | 8,982 | 5,885 | 22,282 | 10,777 |
| Loss from operations | (8,982) | (5,885) | (22,282) | (10,777) |
| Interest and other income | 25 | 34 | 65 | 79 |
| Net loss | $ (8,957) | $ (5,851) | $ (22,217) | $ (10,698) |
| Net loss per share, basic and diluted | $ (0.40) | $ (11.68) | $ (0.99) | $ (21.48) |
| Weighted average common shares outstanding, basic and diluted | 22,421,622 | 501,133 | 22,403,031 | 498,107 |
| Comprehensive loss: | | | | |
| Net loss | $ (8,957) | $ (5,851) | $ (22,217) | $ (10,698) |
| Other comprehensive loss: | | | | |
| Unrealized loss on marketable securities | (2) | — | (2) | — |
| Total other comprehensive loss | (2) | — | (2) | — |
| Total comprehensive loss | $ (8,959) | $ (5,851) | $ (22,219) | $ (10,698) |

The accompanying notes are an integral part of these consolidated financial statements.

**Tokai Pharmaceuticals, Inc.**

**Consolidated Statements of Cash Flows**

**(In thousands)**
**(Unaudited)**

| | Six months ended June 30, | |
|---|---|---|
| | **2015** | **2014** |
| **Cash flows from operating activities:** | | |
| Net loss | $ (22,217) | $ (10,698) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation expense | 1,240 | 340 |
| Depreciation expense | 21 | 11 |
| Release of reserve for loan to former advisor | (49) | (79) |
| Premium on purchase of marketable securities | (35) | — |
| Amortization of premium on marketable securities | 1 | — |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other current assets | (1,307) | (164) |
| Accounts payable | 905 | 507 |
| Accrued expenses | (636) | (43) |
| Other assets | (45) | (71) |
| Other long-term liabilities | 13 | — |
| Net cash used in operating activities | (22,109) | (10,197) |
| **Cash flows from investing activities:** | | |
| Purchases of marketable securities | (24,078) | — |
| Purchases of property and equipment | (192) | (18) |
| Change in restricted cash | (70) | — |
| Net cash used in investing activities | (24,340) | (18) |
| **Cash flows from financing activities:** | | |
| Repayment of notes receivable | 49 | 79 |
| Proceeds from exercise of common stock options | 228 | 12 |
| Payments of initial public offering costs | — | (479) |
| Net cash provided by (used in) financing activities | 277 | (388) |
| **Net decrease in cash and cash equivalents** | (46,172) | (10,603) |
| Cash and cash equivalents at beginning of period | 105,256 | 31,753 |
| Cash and cash equivalents at end of period | $ 59,084 | $ 21,150 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Deferred offering costs included in accounts payable and accrued expenses | $ — | $ 1,015 |
| Purchases of property and equipment included in accounts payable and accrued expenses | $ 135 | $ — |

The accompanying notes are an integral part of these consolidated financial statements.

**Tokai Pharmaceuticals, Inc.**

**Notes to the Consolidated Financial Statements**
**(Amounts in thousands, except share and per share data)**
**(Unaudited)**

**1. Nature of the Business and Basis of Presentation**

Tokai Pharmaceuticals, Inc. (the "Company") was incorporated on March 26, 2004 under the laws of the State of Delaware. The Company is a biopharmaceutical company focused on developing and commercializing proprietary therapies for the treatment of prostate cancer and other hormonally-driven diseases. The Company's lead drug candidate, galeterone, is a highly selective, multi-targeted, oral small molecule drug candidate. Since its inception, the Company has devoted substantially all of its efforts to research and development, recruiting management, in-licensing technology and raising capital.

The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations and the need to obtain additional financing. Galeterone, which is currently under development, and any product candidates that the Company may seek to develop in the future will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval, prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel infrastructure, and extensive compliance-reporting capabilities.

There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's drug development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and substantial competition from pharmaceutical and biotechnology companies. In addition, the Company is dependent upon the services of its employees and consultants.

On September 22, 2014, the Company completed an initial public offering ("IPO") of its common stock, and issued and sold 6,480,000 shares of common stock at a price to the public of $15.00 per share, resulting in net proceeds of $87,062 after deducting underwriting discounts and commissions and offering expenses. Upon the closing of the IPO, all outstanding shares of the Company's redeemable convertible preferred stock automatically converted into 14,860,173 shares of the Company's common stock. On October 9, 2014, the Company issued and sold an additional 540,000 shares of its common stock at the public offering price of $15.00 per share as a result of the partial exercise by the underwriters of their option to purchase additional shares of common stock, resulting in additional net proceeds to the Company of $7,533 after deducting underwriting discounts and commissions.

The Company's consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities in the ordinary course of business. The Company has incurred losses and negative cash flows from operations since inception. As of June 30, 2015, the Company had an accumulated deficit of $108,568. The Company believes its cash and investments balance of $83,194 as of June 30, 2015 will be sufficient to fund its anticipated level of operations for at least the next 12 months. The Company's ability to generate product revenue and operating cash flow will depend heavily on the successful development and eventual commercialization of galeterone and other product candidates that it may develop in the future. If the Company is unable to generate positive cash flows from operations, it may have to seek other sources of capital.

The accompanying consolidated financial statements and footnotes include Diotima Pharmaceuticals, Inc. ("Diotima"), a variable interest entity in which the Company had a variable financial interest and was the primary beneficiary but had no ownership interest. In 2010, the Company formed and incorporated Diotima. Diotima operated as a stand-alone company with limited activity through April 2014. In early 2014, the license agreements relating to the Diotima compounds were terminated. Additionally, in April 2014, the board of directors and stockholders of Diotima approved the dissolution of Diotima, and Diotima was dissolved. All significant intercompany balances and transactions between the Company and Diotima have been eliminated in consolidation. Expenses incurred by Diotima for the six months ended June 30, 2014 were $8.

**Tokai Pharmaceuticals, Inc.**

**Notes to the Consolidated Financial Statements — (Continued)**
**(Amounts in thousands, except share and per share data)**
**(Unaudited)**

The consolidated balance sheet at December 31, 2014 was derived from audited financial statements, but does not include all disclosures required by U.S. generally accepted accounting principles ("GAAP"). The accompanying unaudited consolidated financial statements as of June 30, 2015 and for the three and six months ended June 30, 2015 and 2014 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The Company believes, however, that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K that was filed with the SEC on March 26, 2015.

## 2. Summary of Significant Accounting Policies

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting periods. Significant estimates, assumptions and judgments reflected in these consolidated financial statements include, but are not limited to, the accrual of research and development expenses and the valuation of stock-based awards. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Actual results could differ from the Company's estimates.

### *Marketable Securities*

The Company's marketable securities are classified as available-for-sale and are carried at fair value with the unrealized gains and losses reported as a component of accumulated other comprehensive loss in stockholders' equity. Realized gains and losses and declines in value judged to be other than temporary are included as a component of interest and other income (expense) based on the specific identification method. The Company has classified its marketable securities with maturities beyond one year as short-term, based on their highly liquid nature and because such marketable securities are available for current operations.

At June 30, 2015, marketable securities by security type consisted of:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Certificates of Deposit (due within one year) | $ 1,960 | $ — | $ — | $ 1,960 |
| Certificates of Deposit (due after one year through two years) | 5,876 | — | — | 5,876 |
| United States Treasury Notes (due after one year through two years) | 16,276 | 1 | (3) | 16,274 |
| Total | $ 24,112 | $ 1 | $ (3) | $ 24,110 |

The Company did not have marketable securities at December 31, 2014.

### *Fair Value Measurements*

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices) such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

**Tokai Pharmaceuticals, Inc.**

**Notes to the Consolidated Financial Statements — (Continued)**
**(Amounts in thousands, except share and per share data)**
**(Unaudited)**

The following tables present the Company's fair value hierarchy for its cash equivalents and marketable securities, which are measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014:

| | Fair Value Measurements at June 30, 2015 Using | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial Assets:** | | | | |
| Money Market Instruments | $ — | $ 54,202 | $ — | $ 54,202 |
| Certificates of Deposit | — | 7,836 | — | 7,836 |
| United States Treasury Notes | — | 16,274 | — | 16,274 |
| Total | $ — | $ 78,312 | $ — | $ 78,312 |

| | Fair Value Measurements at December 31, 2014 Using | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial Assets:** | | | | |
| Money Market Instruments | $ — | $ 91,316 | $ — | $ 91,316 |
| Total | $ — | $ 91,316 | $ — | $ 91,316 |

The carrying values of accounts payable and accrued expenses approximate their fair value due to the short-term nature of these liabilities.

***Net Income (Loss) Per Share***

In September 2014, upon the closing of the IPO, all of the outstanding shares of the Company's redeemable convertible preferred stock automatically converted into 14,860,173 shares of the Company's common stock. Prior to this conversion, the Company followed the two-class method when computing net income (loss) per share as the Company had issued shares that met the definition of participating securities. The two-class method determines net income (loss) per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company's redeemable convertible preferred stock contractually entitled the holders of such shares to participate in dividends, but did not contractually require the holders of such shares to participate in losses of the Company. Accordingly, the two-class method did not apply for periods in which the Company reported a net loss or a net loss attributable to common stockholders resulting from dividends or accretion related to its redeemable convertible preferred stock.

Basic net income (loss) per share attributable to common stockholders is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income (loss) per share attributable to common stockholders is computed by dividing the diluted net income (loss) attributable to common stockholders by the weighted average number of common shares, including potential dilutive common shares assuming the dilutive effect of outstanding stock options and unvested restricted common shares, as determined using the treasury stock method. For periods in which the Company has reported net losses, diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

The Company reported a net loss attributable to common stockholders for the three and six months ended June 30, 2015 and 2014.

**Tokai Pharmaceuticals, Inc.**

**Notes to the Consolidated Financial Statements — (Continued)**
**(Amounts in thousands, except share and per share data)**
**(Unaudited)**

The following common stock equivalents outstanding as of June 30, 2015 and 2014 were excluded from the computation of diluted net loss per share for the three and six months ended June 30, 2015 and 2014 because they had an anti-dilutive impact:

| | June 30, | |
|---|---|---|
| | 2015 | 2014 |
| Stock options to purchase common stock | 2,302,181 | 1,634,275 |
| Restricted common stock units | 47,779 | — |
| Redeemable convertible preferred stock (as converted to common stock) | — | 14,860,171 |
| Total options, restricted stock units and redeemable convertible preferred stock exercisable or convertible into common stock | 2,349,960 | 16,494,446 |

***Recently Issued Accounting Pronouncements***

In August 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-15, *Presentation of Financial Statements — Going Concern* (*Subtopic 205-40).* The new guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. This guidance relates to footnote disclosure only and the adoption will not impact the Company's financial position, results of operations or liquidity.

**3. Accrued Expenses**

Accrued expenses consisted of the following:

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Accrued research and development expenses | $ 1,605 | $ 1,853 |
| Accrued payroll and related expenses | 622 | 963 |
| Accrued professional fees | 572 | 497 |
| Accrued other | 144 | 165 |
| | $ 2,943 | $ 3,478 |

**4. Income Taxes**

The Company did not provide for any income taxes in the six months ended June 30, 2015 or 2014. The Company had gross deferred tax assets of $33,272 at December 31, 2014 which increased by approximately $8,000 at June 30, 2015. The Company has provided a valuation allowance for the full amount of its net deferred tax assets because, at June 30, 2015 and December 31, 2014, it was more likely than not that any future benefit from deductible temporary differences and net operating loss and tax credit carryforwards would not be realized.

The Company has not recorded any amounts for unrecognized tax benefits as of June 30, 2015 or December 31, 2014. As of June 30, 2015 and December 31, 2014, the Company had no accrued interest or tax penalties recorded. The Company's income tax return reporting periods since December 31, 2011 are open to income tax audit examination by the federal and state tax authorities. In addition, because the Company has net operating loss carryforwards, the Internal Revenue Service is permitted to audit earlier years and propose adjustments up to the amount of net operating losses generated in those years.

**Tokai Pharmaceuticals, Inc.**

**Notes to the Consolidated Financial Statements — (Continued)**
**(Amounts in thousands, except share and per share data)**
**(Unaudited)**

## 5. Stock-Based Compensation

The Company grants stock-based awards under its 2014 Stock Incentive Plan and is authorized to issue common stock under its 2014 Employee Stock Purchase Plan. The Company also has outstanding stock options under its 2007 Stock Incentive Plan but is no longer granting awards under this plan. As of June 30, 2015, 1,818,358 shares of common stock were available for issuance under the 2014 Stock Incentive Plan. As of June 30, 2015, 225,000 shares of common stock were available for issuance to participating employees under the 2014 Employee Stock Purchase Plan. The Company recorded stock-based compensation expense related to stock options and restricted common stock units in the following expense categories of its statements of operations:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Research and development | $ 140 | $ 107 | $ 308 | $ 136 |
| General and administrative | 466 | 143 | 932 | 204 |
| | $ 606 | $ 250 | $ 1,240 | $ 340 |

## 6. Commitments and Contingencies

***Leases***

In February 2015, the Company entered into a sublease with a Massachusetts limited liability company (the "sublandlord") for 15,981 square feet of office space in Boston, Massachusetts. The sublease is subject and subordinate to a prime lease, dated October 5, 2010, between the sublandlord and the prime landlord. The term of the sublease commenced on April 1, 2015 and expires on December 31, 2016. If the term of the prime lease is terminated for any reason prior to the expiration or earlier termination of the sublease, the sublease will terminate immediately and the Company will have no recourse against the sublandlord for such termination. The Company is obligated to make monthly payments under the sublease totaling $408 and $555 for the years ending December 31, 2015 and 2016, respectively, aggregating $963 in total minimum lease payments. In June 2015, the Company entered into a lease for the existing space with the prime landlord (the "landlord") which effectively extends the term of the lease of the existing space until July 2018. The Company is obligated to make monthly payments under the new lease totaling $839 and $489 for the years ending December 31, 2017 and 2018, respectively, aggregating $1,328 in total minimum lease payments. Total minimum lease payments under both of these operating leases aggregate $2,291 over their full term. Payment escalations specified in the lease agreements are accrued such that rent expense per square foot is recognized on a straight-line basis over the terms of occupancy. Prior to April 2015, the Company leased office space in Cambridge, Massachusetts, and obtained certain office-related services on a month-to-month basis under a 30-day cancelable operating service agreement. The Company recorded exit costs of $133 included in rent expense in the six months ended June 30, 2015 in connection with the termination of the Cambridge lease.

During the three months ended June 30, 2015 and 2014, the Company recognized $181 and $103, respectively, of rental expense related to office space. During the six months ended June 30, 2015 and 2014, the Company recognized $487 and $209, respectively, of rental expense related to office space.

***Restricted Cash and Letters of Credit***

As of June 30, 2015 and December 31, 2014, the Company held a money market account to collateralize a credit card account with its bank of $200, which was classified as restricted cash. In addition, at June 30, 2015, the Company maintained a letter of credit totaling $70 for the benefit of the landlord of the new lease. The landlord can draw against the letter of credit in the event of default by the Company. The Company was required to maintain a money market account of at least $70 as of June 30, 2015 to secure the letter of credit. This amount was also classified as restricted cash in the balance sheet at June 30, 2015.

***Intellectual Property Licenses***

The Company has a master license agreement with the University of Maryland, Baltimore ("UMB"). Pursuant to the license agreement, UMB granted an exclusive, worldwide license, with the right to sublicense, under certain patents and patent applications to make, have made, use, sell, offer to sell and import certain anti-androgen steroids, including galeterone, for the prevention, diagnosis, treatment or control of any human or animal disease. In addition, UMB granted the Company a first option to receive an exclusive license to UMB's rights in certain improvements to the licensed products. The Company has exercised its option and acquired exclusive rights to licensed improvements under three amendments to the license agreement. The Company is obligated to pay UMB

**Tokai Pharmaceuticals, Inc.**

**Notes to the Consolidated Financial Statements — (Continued)**
**(Amounts in thousands, except share and per share data)**
**(Unaudited)**

an annual maintenance fee of $10 each year until the first commercial sale of a product developed using the licensed technology. The Company is also obligated to make an additional $50 milestone payment to UMB for each additional investigational new drug application filed for a licensed product and a $100 milestone payment upon the approval by the U.S. Food and Drug Administration of each new drug application ("NDA") for a licensed product. Because none of these milestones has been achieved as of June 30, 2015, no liabilities for such milestone payments have been recorded in the Company's consolidated financial statements.

The Company must also pay UMB a low-single digit percentage royalty on aggregate worldwide net sales of licensed products, including sales by sublicensees, on a licensed product-by-licensed product and country-by-country basis until the later of the expiration of the last-to-expire applicable licensed patent or ten years after first commercial sale of the applicable licensed product, in each case in the applicable country. The royalty obligations are subject to specified reductions in the event that additional licenses need to be obtained from third parties or in the event of specified competition from third-party products licensed by UMB. Minimum annual royalty payments to UMB are $50 beginning in the year following the year in which the first commercial sale occurs. The Company must also pay UMB 10% of all non-royalty sublicense income received from sublicensees. Finally, the Company is responsible for all patent expenses related to the prosecution and maintenance of the licensed patents. As of June 30, 2015, the Company has not yet developed a commercial product using the licensed technologies, nor has it entered into any sublicense agreements for the technologies.

In January 2015, the Company entered into an exclusive license agreement with The Johns Hopkins University ("Johns Hopkins") pursuant to which Johns Hopkins granted the Company an exclusive, worldwide license under certain patent applications and a non-exclusive license under certain know-how, in each case with the right to sublicense, to make, have made, use, sell, offer to sell and import certain assays to identify androgen receptor variants for use as a companion diagnostic with galeterone. In addition, Johns Hopkins granted the Company an option to negotiate an exclusive license to Johns Hopkins's rights in certain improvements to the licensed intellectual property.

Under the terms of the license agreement, the Company is obligated to diligently develop, manufacture and sell licensed products. The Company is also obligated to use commercially reasonable efforts to achieve specified milestone events by specified dates. Unless the license agreement with Johns Hopkins is terminated earlier as provided below, the license from Johns Hopkins expires on a country-by-country basis as of the later of the expiration date of the last to expire of the claims of the patent rights licensed under the agreement in such country or ten years after the first commercial sale of a licensed product in such country. Johns Hopkins may terminate the agreement if the Company fails to achieve such milestone events and does not cure such failure within a specified termination notice period. Johns Hopkins may also terminate the agreement upon a material breach by the Company under the agreement if the Company does not cure such breach within a specified notice period or upon the Company's bankruptcy or insolvency. The Company may terminate the agreement at any time upon 90 days' notice.

In consideration for the rights granted to the Company under the license agreement, the Company made an upfront payment to Johns Hopkins of $75 following the execution of the license agreement, which was recognized as research and development expense during the six months ended June 30, 2015. The Company is obligated to pay Johns Hopkins an annual minimum royalty of up to $30 and to make milestone payments to Johns Hopkins upon the achievement of specified technical and commercial milestones. If all such milestones were achieved, the total milestone payments owed to Johns Hopkins would equal $700 in the aggregate. During the six months ended June 30, 2015, the Company expensed $25 related to the achievement of one of these milestones. The Company has not achieved any other milestones and therefore no additional liabilities for such milestone payments have been recorded in the Company's consolidated financial statements. The Company must also pay Johns Hopkins single digit percentage royalties on aggregate worldwide net sales of licensed products (and not galeterone), including sales by sublicensees, on a licensed product-by-licensed product and country-by-country basis until the later of the expiration of the last-to-expire applicable licensed patent or ten years after first commercial sale of the applicable licensed product, in each case in the applicable country. These royalty obligations are subject to specified reductions in the event that additional licenses from third parties are required. The Company must also pay Johns Hopkins 20% of all non-royalty sublicense income received from sublicensees and reimburse Johns Hopkins for patent costs. As of June 30, 2015, the Company has not yet developed a commercial product using the licensed technologies, and it has not entered into any sublicense agreements for the technologies.

***Companion Diagnostic Development Agreement***

In March 2015, the Company entered into a project work plan with Qiagen Manchester Limited ("Qiagen") under a Master Collaboration Agreement, dated January 12, 2015, between the Company and Qiagen (together with the project work plan, the "CDx Agreement"). Pursuant to the CDx Agreement, Qiagen has agreed to develop and commercialize an *in vitro* companion diagnostic test to identify castration resistant prostate cancer ("CRPC") patients with the AR-V7 splice variant for use with galeterone. Qiagen has also developed under the CDx Agreement a clinical trial assay for use in our pivotal Phase 3 clinical trial of galeterone in order to identify CRPC patients whose tumor cells express AR-V7.

**Tokai Pharmaceuticals, Inc.**

**Notes to the Consolidated Financial Statements — (Continued)**
**(Amounts in thousands, except share and per share data)**
**(Unaudited)**

Under the CDx Agreement, Qiagen is responsible for developing, and obtaining and maintaining regulatory approvals for the *in vitro* companion diagnostic test in the United States, the European Union, Canada, Australia and such other countries as the parties may agree. In addition, Qiagen has agreed to use commercially reasonable and diligent efforts to manufacture the *in vitro* companion diagnostic test and to make the *in vitro* companion diagnostic test commercially available in those countries in which the Company has obtained regulatory approval for, and has valid patent claims covering, galeterone. Qiagen will be responsible for commercializing the *in vitro* companion diagnostic in each such country. If Qiagen elects not to commercialize the *in vitro* companion diagnostic test itself in any such country, for so long as there are valid patent claims covering galeterone in such country, Qiagen has agreed to procure alternative distribution channels or otherwise supply the *in vitro* companion diagnostic test to the Company in order for the Company to market galeterone in combination with the *in vitro* companion diagnostic test. Upon the request of the Company, the parties have also agreed to negotiate in good faith to expand the scope of the projects under the Agreement to, among other things, provide for the development and commercialization of the *in vitro* companion diagnostic test for use with galeterone in Japan.

Subject to the terms of the CDx Agreement, the Company paid Qiagen a fee for the exclusive right to have the circulating tumor cell enrichment technology used in the development of the *in vitro* companion diagnostic test, which was recognized as research and development expense during the six months ended June 30, 2015. The Company will also pay Qiagen fees for the development of the assay and a contingent milestone payment of $1,000 upon Qiagen obtaining pre-market approval of the *in vitro* companion diagnostic test. Furthermore, the Company will reimburse Qiagen for certain direct out-of-pocket costs incurred by Qiagen, including for sample material. These amounts are subject to adjustment if the parties determine that changes in the scope of the development program are required. Following commercialization, the Company will have no further payment obligations to Qiagen under the Agreement. The Company will not, however, receive any revenues from future sales, if any, of the *in vitro* companion diagnostic test.

The CDx Agreement expires on the later to occur of (i) the fifth anniversary of regulatory approval of the *in vitro* companion diagnostic test and (ii) the expiration of Qiagen's commercialization obligations under the CDx Agreement. The Company is permitted to terminate the CDx Agreement for convenience upon 180 days' written notice to Qiagen. Either party may terminate the CDx Agreement upon 60 days' written notice to the other party based on uncured material breaches by the other party and may terminate the CDx Agreement immediately based on the bankruptcy or insolvency of the other party.

***Indemnification Agreements***

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with each of its directors and executive officers, which provide, among other things, that the Company will indemnify such directors and executive officers to the fullest extent permitted by law for claims arising in his or her capacity as a director or officer. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of the indemnification agreements described above. In addition, the Company maintains directors and officers insurance coverage. The Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its consolidated financial statements as of June 30, 2015.

**7. Related Party Transactions**

The Company had an outstanding loan to a former advisor of the Company of $250 that accrued interest at 2.92% per annum that was due in 2007. In 2007, unpaid principal and interest in the amount of $220 was deemed uncollectable by the Company, and as a result, was fully reserved for by the Company. As of December 31, 2013, no payments had been received by the Company, and the unpaid principal and interest balance remained fully reserved. In 2014, the Company started to receive repayment of this note. The Company recorded payments received as other income. As a result, the Company recorded other income of $15 and $34 for the three months ended June 30, 2015 and 2014, respectively, and $49 and $79 for the six months ended June 30, 2015 and 2014, respectively, representing cash collected during those periods. As of June 30, 2015, this loan had been fully repaid.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2014 included in our Annual Report on Form 10-K that was filed with the SEC on March 26, 2015. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the ''Risk Factors'' section of this Quarterly Report on Form 10-Q, our actual results could differ materially from the results described in, or implied by, these forward-looking statements.*

**Overview**

We are a biopharmaceutical company focused on developing and commercializing proprietary therapies for the treatment of prostate cancer and other hormonally-driven diseases. Our lead drug candidate, galeterone, is a highly selective, multi-targeted, oral small molecule drug candidate. We are focusing our late-stage development of galeterone on the treatment of patients with castration resistant prostate cancer, or CRPC, whose prostate tumor cells express an altered androgen receptor that is truncated. These truncated androgen receptors are missing the end of the receptor that contains the ligand binding domain. We describe patients with these truncated androgen receptors as having C-terminal loss. An example of one such truncated androgen receptor with C-terminal loss is the splice variant AR-V7, which we believe is the most prevalent of the splice variants that cause C-terminal loss. We have initiated our pivotal Phase 3 clinical trial of galeterone, which we refer to as ARMOR3-Splice Variant, or ARMOR3-SV, in metastatic CRPC patients whose tumor cells express AR-V7. In ARMOR3-SV, we are comparing galeterone to Xtandi® (enzalutamide) in 148 metastatic CRPC patients who have not received other second-generation oral therapies or chemotherapy for their CRPC. The primary endpoint of ARMOR3-SV is radiographic progression-free survival assessed by blinded independent central review. Selection of patients with AR-V7 is made using a clinical trial assay optimized for global use by our collaborator, Qiagen. Implementation of the clinical trial assay is ongoing and screening of eligible patients is expected to begin this quarter. The design of ARMOR3-SV is informed by feedback that we obtained from the U.S. Food and Drug Administration, or FDA, and the European Medicines Agency. We expect top-line data from ARMOR3-SV to be available by the end of 2016. We have been given fast track designation by the FDA for galeterone for the treatment of CRPC.

As of July 31, 2015, we have administered galeterone to over 250 cancer patients and healthy volunteers in Phase 1 and Phase 2 clinical trials. In these trials, which included patients whose tumor cells did not express AR-V7, galeterone was well tolerated and showed clinically meaningful reductions in levels of prostate specific antigen, a biochemical marker used to evaluate prostate cancer patients for signs of response to therapy. Therefore, and subject to the availability of resources, we anticipate continuing the clinical development of galeterone in other indications or patient populations. We have exclusive worldwide development and commercialization rights to galeterone.

Since our inception in March 2004, we have devoted substantially all of our resources to developing our product candidates, building our intellectual property portfolio, business planning, raising capital and providing general and administrative support for these operations. To date, we have financed our operations primarily through our initial public offering of our common stock, and prior to our initial public offering, through private placements of our redeemable convertible preferred stock and convertible promissory notes. In September 2014, we completed the initial public offering of our common stock and issued and sold 6,480,000 shares of our common stock at a price to the public of $15.00 per share, resulting in net proceeds of $87.1 million after deducting underwriting discounts and commissions and offering expenses. In October 2014, we issued and sold an additional 540,000 shares of our common stock as a result of the partial exercise by the underwriters of their option to purchase additional shares of common stock at the public offering price of $15.00 per share, and received additional net proceeds of $7.5 million after deducting underwriting discounts and commissions.

We have never generated any revenue and have incurred net losses in each year since our inception. Our net loss was $22.2 million for the six months ended June 30, 2015 and $23.3 million for the year ended December 31, 2014. As of June 30, 2015, we had an accumulated deficit of $108.6 million. This deficit has resulted principally from costs incurred in connection with research and development activities, general and administrative costs associated with our operations and in-licensing our product candidates. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years.

We anticipate that our expenses will increase substantially if and as we:

- conduct ARMOR3-SV, our pivotal Phase 3 clinical trial of galeterone for treatment-naïve metastatic CRPC patients whose prostate tumor cells express the splice variant AR-V7, and conduct other clinical trials and non-clinical studies to support the submission of a new drug application, or NDA, to the FDA for galeterone for this indication;
- develop an *in vitro* companion diagnostic test to identify CRPC patients with AR-V7 in collaboration with Qiagen Manchester Limited, or Qiagen;
- develop galeterone for the treatment of other indications and patient populations in prostate cancer, including early-stage prostate cancer, and the treatment of prostate cancer in combination with currently marketed prostate cancer therapies and novel targeted agents;
- explore the use of galeterone for the treatment of other diseases that are associated with the androgen receptor signaling pathway;
- identify and develop compounds that are designed to disrupt androgen receptor signaling through enhanced androgen receptor degradation;
- enter into agreements with third parties to manufacture galeterone;
- establish a sales, marketing and distribution infrastructure to support the commercialization of galeterone in the United States;
- maintain, expand and protect our intellectual property portfolio;
- continue our other research and development efforts;
- acquire or in-license additional compounds or technologies; and
- operate as a public company.

Our ability to generate product revenue, which we do not expect will occur for at least the next several years, if ever, will depend heavily on the successful development and eventual commercialization of galeterone and other product candidates that we may develop in the future. As a result, we will need additional financing to support our continuing operations until such time that we can generate significant revenue from product sales, if ever. We expect to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. We may be unable to raise capital when needed or on acceptable terms, which would force us to delay, limit, reduce or terminate our research and development programs or commercialization efforts. We will need to generate significant revenue to achieve profitability, and we may never do so.

As of June 30, 2015, we had cash and investments of $83.2 million. We expect that our existing cash and investments will only be sufficient to enable us to complete our Phase 2 clinical trial of galeterone, conduct ARMOR3-SV, fund the development of an *in vitro* companion diagnostic test in collaboration with Qiagen to identify CRPC patients with AR-V7, conduct other clinical trials and non-clinical studies necessary to support the submission of an initial NDA to the FDA for galeterone, as well as to continue to fund our operating expenses and capital expenditure requirements into the first half of 2017. See "—Liquidity and Capital Resources."

**Financial Operations Overview**

***Revenue***

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products in the near future. If our development efforts for galeterone or other product candidates that we may develop in the future are successful and result in regulatory approval or license or collaboration agreements with third parties, we may generate revenue in the future from a combination of product sales or payments from collaboration or license agreements that we may enter into with third parties.

***Operating Expenses***

The majority of our operating expenses consist of research and development activities and general and administrative costs.

*Research and Development Expenses*

Research and development expenses, which consist primarily of costs associated with our product research and development efforts, include the following:

- third-party contract costs relating to research, formulation and manufacturing, preclinical studies and clinical trial activities;
- third-party contract costs relating to development of an *in vitro* companion diagnostic test to identify CRPC patients with AR-V7, including the clinical trial assay to be used to identify eligible patients for ARMOR3-SV;
- personnel costs, including salaries, related benefits and stock-based compensation for personnel engaged in research and development functions;
- consulting fees paid to third parties;
- costs related to compliance with regulatory requirements; and
- payments made under our third-party licensing agreements.

We typically use our employee and infrastructure resources across our development programs. We track outsourced development costs by product candidate or development program, but we do not allocate personnel costs, payments made under our licensing agreements or other internal costs to specific development programs or product candidates. These costs are included in unallocated research and development expenses. See "Results of Operations."

Research and development activities are central to our business. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. To date, we have focused substantially all of our research and development efforts on the development of galeterone. We incurred total research and development expenses of $16.4 million for the six months ended June 30, 2015 and $7.9 million for the six months ended June 30, 2014. We expect that our research and development expenses will continue to increase in 2015 and 2016 as we pursue later stage clinical trials and conduct additional NDA-enabling activities for galeterone.

We have initiated ARMOR3-SV, our pivotal Phase 3 clinical trial of galeterone. We cannot determine with certainty the duration and completion costs of the current or future clinical trials of our product candidates or if, when, or to what extent we will generate revenue from the commercialization and sale of any of our product candidates that obtain regulatory approval. We may never succeed in achieving regulatory approval for any of our product candidates. The duration, costs and timing of clinical studies and development of our product candidates will depend on a variety of factors, including:

- the scope, rate of progress, expense and results of our ongoing clinical trials as well as any additional clinical trials and other research and development activities that we may conduct;
- future clinical trial results;
- uncertainties in clinical trial design and patient enrollment rate;
- significant and changing government regulation and regulatory guidance;
- the timing and receipt of any regulatory approvals; and
- the expense of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate will be required for the completion of clinical development of a product candidate, or if we experience significant delays in patient enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

*General and Administrative Expenses*

General and administrative expenses consist primarily of personnel costs, including salaries, related benefits and stock-based compensation expense, of our executive, finance, business and corporate development and other administrative functions. General and administrative expenses also include professional fees for auditing, tax and legal services, including legal expenses to pursue patent protection of our intellectual property, insurance costs, travel expenses and facility-related costs.

We expect that our general and administrative expenses will increase in future periods as we establish capabilities that would enable the potential commercialization of galeterone for the treatment of CRPC and any future product candidates and as a result of increased payroll, expanded infrastructure, increased insurance, consulting, legal, accounting and investor relations expenses associated with being a public company and costs incurred to seek collaborations with respect to galeterone and any other product candidates that we may develop in the future.

***Interest and Other Income***

Interest and other income consists of interest income and miscellaneous income unrelated to our core operations. Interest income consists of interest earned on our cash and investments. Our interest income has not been significant due to low interest earned on invested balances.

***Income Taxes***

Since our inception in 2004, we have not recorded any U.S. federal or state income tax benefits for either the net losses we have incurred or our earned research and development tax credits, due to the uncertainty of realizing a benefit from those items in the future. As of December 31, 2014, we had federal and state net operating loss carryforwards of $16.5 million and $13.0 million respectively. Our federal and state net operating loss carryforwards begin to expire in 2024 and 2030, respectively. We also had federal and state research and development tax credit carryforwards of $0.8 million and $0.3 million, respectively, as of December 31, 2014, which begin to expire in 2025 and 2023, respectively. Our federal and state net operating loss carryforwards do not yet include the effect of research and development expenses of $63.5 million that we have capitalized for income tax purposes as of December 31, 2014.

**Critical Accounting Policies and Significant Judgments and Estimates**

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. We believe that of our critical accounting policies described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Critical Accounting Policies and Significant Judgments and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC on March 26, 2015, the following involve the most judgment and complexity:

- accrued research and development costs; and
- stock-based compensation.

Accordingly, we believe the policies set forth above are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected.

There have been no material changes in these policies since December 31, 2014.

**Results of Operations**

***Comparison of the Three Months Ended June 30, 2015 and 2014***

The following table summarizes our results of operations for the three months ended June 30, 2015 and 2014:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (in thousands) | | |
| Revenue | $ — | $ — | $ — |
| Operating expenses: | | | |
| Research and development | 5,855 | 4,392 | 1,463 |
| General and administrative | 3,127 | 1,493 | 1,634 |
| Total operating expenses | 8,982 | 5,885 | 3,097 |
| Loss from operations | (8,982) | (5,885) | (3,097) |
| Interest and other income | 25 | 34 | (9) |
| Net loss | $(8,957) | $(5,851) | $(3,106) |

***Research and Development Expenses***

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (in thousands) | | |
| Galeterone for prostate cancer | $ 4,748 | $ 3,521 | $1,227 |
| Other early-stage development programs and additional indications for galeterone | 94 | 5 | 89 |
| Unallocated research and development expenses | 1,013 | 866 | 147 |
| Total research and development expenses | $ 5,855 | $ 4,392 | $1,463 |

The increase in research and development expenses for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 was primarily due to increased costs associated with our galeterone program in prostate cancer, which included increased costs of clinical trials of $1.9 million, partially offset by a decrease in manufacturing costs of $0.8 million. The increase in clinical trial costs was primarily due to start-up costs related to ARMOR3-SV, as well as costs associated with the development of our clinical trial assay in collaboration with Qiagen. The decrease in manufacturing costs was due to higher costs in the prior year for the manufacturing of galeterone for our clinical trials.

***General and Administrative Expenses***

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (in thousands) | | |
| Personnel related (including stock-based compensation) | $ 1,301 | $ 671 | $ 630 |
| Professional and consultant fees | 1,271 | 663 | 608 |
| Facility related and other | 555 | 159 | 396 |
| Total general and administrative expenses | $ 3,127 | $ 1,493 | $1,634 |

The increase in general and administrative expenses for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 was due to an increase in personnel related costs, professional and consultant fees and facility related and other costs. The increase in personnel related costs was primarily due to an increase in stock-based compensation expense of $0.3 million related to additional employee stock options granted and a higher value of our common stock, as well as increased headcount in our general and administrative function. The increase in professional and consultant fees was primarily due to an increase in legal and patent fees associated with ongoing business activities and additional costs associated with operating as a public company. Facility related and other costs increased primarily due to increased insurance costs and facility costs related to our growth and operating as a public company.

***Comparison of the Six Months Ended June 30, 2015 and 2014***

The following table summarizes our results of operations for the six months ended June 30, 2015 and 2014:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (in thousands) | | |
| Revenue | $ — | $ — | $ — |
| Operating expenses: | | | |
| Research and development | 16,414 | 7,948 | 8,466 |
| General and administrative | 5,868 | 2,829 | 3,039 |
| Total operating expenses | 22,282 | 10,777 | 11,505 |
| Loss from operations | (22,282) | (10,777) | (11,505) |
| Interest and other income | 65 | 79 | (14) |
| Net loss | $(22,217) | $(10,698) | $(11,519) |

***Research and Development Expenses***

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (in thousands) | | |
| Galeterone for prostate cancer | $14,020 | $6,481 | $7,539 |
| Other early-stage development programs and additional indications for galeterone | 197 | 49 | 148 |
| Unallocated research and development expenses | 2,197 | 1,418 | 779 |
| Total research and development expenses | $16,414 | $7,948 | $8,466 |

The increase in research and development expenses for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 was primarily due to increased costs associated with our galeterone program in prostate cancer and an increase in unallocated research and development expenses. The increase in costs of our galeterone program consisted primarily of increased costs of clinical trials of $6.0 million and increased manufacturing costs of $1.6 million. The increase in clinical trial costs was primarily due to costs associated with the development of the clinical trial assay to be used in ARMOR3-SV, start-up costs related to ARMOR3-SV, and costs associated with other clinical trials to support the submission of an NDA for galeterone. Costs associated with the development of our clinical trial assay include a fee paid for the exclusive right to have the circulating tumor cell enrichment technology used in the development of the AR-V7 *in vitro* companion diagnostic tests as well as costs of the development of the assay. The increase in manufacturing costs was primarily due to a large purchase of raw materials during the six months ended June 30, 2015 for use in manufacturing process optimization and validation studies required to support the submission of an NDA. The increase in unallocated research and development costs was primarily due to increased personnel related costs, including stock-based compensation expense, as a result of increased headcount in our research and development function.

***General and Administrative Expenses***

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (in thousands) | | |
| Personnel related (including stock-based compensation) | $2,544 | $1,230 | $1,314 |
| Professional and consultant fees | 2,245 | 1,278 | 967 |
| Facility related and other | 1,079 | 321 | 758 |
| Total general and administrative expenses | $5,868 | $2,829 | $3,039 |

The increase in general and administrative expenses for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 was due to an increase in personnel related costs, professional and consultant fees and facility related and other costs.

The increase in personnel related costs was primarily due to an increase in stock-based compensation expense of $0.7 million related to additional employee stock options granted and a higher value of our common stock. Personnel related costs also increased due to increased headcount in our general and administrative function and an increase in overall compensation. The increase in professional and consultant fees was primarily due to an increase in legal and patent fees associated with ongoing business activities and additional costs associated with operating as a public company. Facility related and other costs increased primarily due to increased insurance costs, facility costs and other taxes related to our growth and operating as a public company.

**Liquidity and Capital Resources**

Since our inception in March 2004, we have not generated any revenue and have incurred recurring net losses. We anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development and general and administrative expenses will continue to increase and, as a result, we will need additional capital to fund our operations, which we may obtain from additional financings, research funding, collaborations, contract and grant revenue or other sources.

To date, we have funded our operations primarily through our initial public offering of our common stock, and prior to our initial public offering, private placements of our redeemable convertible preferred stock and convertible promissory notes. In September 2014, we completed the initial public offering of our common stock and issued and sold 6,480,000 shares of our common stock at a price to the public of $15.00 per share, resulting in net proceeds of $87.1 million after deducting underwriting discounts and commissions and offering expenses. In October 2014, we issued and sold an additional 540,000 shares of our common stock as a result of the partial exercise by the underwriters of their option to purchase additional shares of common stock at the public offering price of $15.00 per share and received additional net proceeds of $7.5 million after deducting underwriting discounts and commissions.

***Cash Flows***

As of June 30, 2015, our principal sources of liquidity were cash and investments of $83.2 million.

The following table summarizes our sources and uses of cash and cash equivalents for each of the periods presented:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| | (in thousands) | |
| Cash used in operating activities | $(22,109) | $(10,197) |
| Cash used in investing activities | (24,340) | (18) |
| Cash provided by (used in) financing activities | 277 | (388) |
| Net decrease in cash and cash equivalents | $(46,172) | $(10,603) |

*Operating activities*. During the six months ended June 30, 2015, cash used in operating activities consisted of our net loss of $22.2 million and net cash used in changes in our operating assets and liabilities of $1.1 million, partially offset by net non-cash charges of $1.2 million. Our net non-cash charges during the period consisted almost entirely of stock-based compensation expense. Cash used in changes in our operating assets and liabilities consisted primarily of an increase in prepaid expenses and other current assets of $1.3 million, offset by a net increase in accounts payable and accrued expenses of $0.3 million.

During the six months ended June 30, 2014, cash used in operating activities was $10.2 million, resulting from our net loss of $10.7 million, partially offset by net non-cash charges of $0.3 million and by net cash provided by changes in our operating assets and liabilities of $0.2 million. Our net non-cash charges during the period consisted almost entirely of stock-based compensation expense. Cash provided by changes in our operating assets and liabilities consisted primarily of a net increase in accounts payable and accrued expenses of $0.5 million, partially offset by an increase in prepaid expenses and other current assets of $0.2 million.

Our net losses for the six months ended June 30, 2015 and 2014 were primarily attributable to research and development activities related to galeterone and our general and administrative expenses, as we had no revenue in the periods. Our prepaid expenses and other current assets and accounts payable and accrued expense balances have historically been affected by the volume of business and the timing of vendor invoicing and payments.

*Investing activities*. During the six months ended June 30, 2015, purchases of marketable securities were $24.1 million. During the six months ended June 30, 2015, purchases of property and equipment was $0.2 million primarily related to the purchase of lab equipment. During the six months ended June 30, 2015, restricted cash increased by $0.1 million to secure a letter of credit for our new office lease.

*Financing activities*. During the six months ended June 30, 2015 and 2014, net cash provided by financing activities was attributable to the repayment of notes receivable and proceeds from the exercise of stock options. In addition, during the six months ended June 30, 2014, cash used in financing activities included payments of $0.5 million of costs related to our initial public offering that were paid during the period.

***Funding Requirements***

Galeterone is still in clinical development. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if and as we:

- conduct ARMOR3-SV, our pivotal Phase 3 clinical trial of galeterone for treatment-naïve metastatic CRPC patients whose prostate tumor cells express the splice variant AR-V7, and conduct other clinical trials and non-clinical studies to support the submission of an NDA to the FDA for galeterone for this indication;
- develop an *in vitro* companion diagnostic test to identify CRPC patients with AR-V7 in collaboration with Qiagen;
- develop galeterone for the treatment of other indications and patient populations in prostate cancer, including early-stage prostate cancer, and the treatment of prostate cancer in combination with currently marketed prostate cancer therapies and novel targeted agents;
- explore the use of galeterone for the treatment of other diseases that are associated with the androgen receptor signaling pathway;
- identify and develop compounds that are designed to disrupt androgen receptor signaling through enhanced androgen receptor degradation;
- enter into agreements with third parties to manufacture galeterone;
- establish a sales, marketing and distribution infrastructure to support the commercialization of galeterone in the United States;
- maintain, expand and protect our intellectual property portfolio;
- continue our other research and development efforts;
- acquire or in-license additional compounds or technologies; and
- operate as a public company.

As of June 30, 2015, we had cash and investments of $83.2 million. We expect that our existing cash and investments will be sufficient to enable us to complete our Phase 2 clinical trial of galeterone, conduct ARMOR3-SV, fund the development of an *in vitro* companion diagnostic test in collaboration with Qiagen to identify CRPC patients with AR-V7, conduct other clinical trials and non-clinical studies necessary to support the submission of an initial NDA to the FDA for galeterone, as well as to continue to fund our operating expenses and capital expenditure requirements into the first half of 2017. We have based this estimate on assumptions that may prove to be wrong, as we may use our available capital resources sooner than we currently expect or our clinical trials may take longer than we anticipate. Because of the numerous risks and uncertainties associated with the development of galeterone and because the extent to which we may enter into collaborations with third parties for development of this product candidate is unknown, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidate. Our future capital requirements for galeterone will depend on many factors, including:

- the progress and results of ARMOR3-SV and our efforts to complete the clinical development of galeterone and submit an NDA to the FDA and marketing authorization applications to regulatory authorities outside of the United States;
- the progress and results of any additional clinical trials of galeterone that we decide to conduct in other indications and patient populations;
- the timing and outcome of regulatory review of galeterone for the treatment of prostate cancer in CRPC patients with AR-V7 and in any other indication or patient population, and of any other future product candidates;
- the progress and results of the development of an *in vitro* companion diagnostic test for identifying CRPC patients with AR-V7 under our agreement with Qiagen;
- the cost of commercialization activities, including product sales, marketing, manufacturing and distribution, for galeterone and our future product candidates for which we receive regulatory approval;
- the development of future product candidates, including our plans to seek to acquire or in-license additional compounds or technologies;

- revenue, if any, received from commercial sales of galeterone and any future product candidates, should any of our product candidates be approved by the FDA or a similar regulatory authority outside the United States;
- our ability to establish collaborations on favorable terms, if at all, particularly arrangements to develop, market and distribute galeterone and any future product candidates outside the United States; and
- the cost of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims.

Until such time, if ever, that we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that could adversely affect the rights of our common stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends and may require the issuance of warrants, which could potentially dilute our common stockholders' ownership interest. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or research programs of galeterone or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market galeterone that we would otherwise prefer to develop and market ourselves.

**Contractual Obligations and Commitments**

In June 2015, we entered into a lease for our existing office space that effectively extends our current lease term from December 2016 until July 2018. Under this lease, our total rent expense will increase by $0.8 and $0.5 million in the years ending December 31, 2017 and 2018, respectively. There have been no other material changes to our contractual obligations and commitments outside the ordinary course of business from those described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments" in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC on March 26, 2015.

**Off-Balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules.

**Recently Issued Accounting Pronouncements**

In August 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-15, "*Presentation of Financial Statements — Going Concern* (*Subtopic 205-40).*" The new guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. This guidance relates to footnote disclosure only and the adoption will not impact our financial position, results of operations or liquidity.

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

***Interest Rate Fluctuation Risk***

Our cash and investments as of June 30, 2015 consisted of cash, money market accounts, certificates of deposit and government bonds. The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing risk. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of interest rates. However, because of the short-term nature of the instruments in our portfolio, a sudden change in market interest rates would not be expected to have a material impact on our financial condition or results of operations.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2015. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2015, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II—OTHER INFORMATION**

**Item 1A. Risk Factors.**

*Investing in our common stock involves a high degree of risk. You should consider carefully the risks described below, together with the other information included or incorporated by reference in this quarterly report on Form 10-Q. If any of the following risks occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected. In these circumstances, the market price of our common stock could decline.*

**Risks Related to Our Financial Position and Need for Additional Capital**

***We have incurred significant losses since our inception. We expect to incur losses for at least the next several years and may never achieve or maintain profitability.***

Since inception, we have incurred significant operating losses. Our net loss was $22.2 million for the six months ended June 30, 2015, $23.3 million for the year ended December 31, 2014 and $15.7 million for the year ended December 31, 2013. As of June 30, 2015, we had an accumulated deficit of $108.6 million. To date, we have financed our operations primarily through our initial public offering of our common stock, and prior to our initial public offering, through private placements of our redeemable convertible preferred stock and convertible promissory notes. We have devoted substantially all of our efforts to research and development, including clinical trials. We have not completed development of any product candidate and it may be several years, if ever, before we have a product candidate ready for commercialization. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. We anticipate that our expenses will increase substantially if and as we:

- conduct ARMOR3-SV, our pivotal Phase 3 clinical trial of galeterone for treatment-naïve, metastatic castration resistant prostate cancer, or CRPC, patients whose prostate tumor cells express the splice variant AR-V7, and conduct other clinical trials and non-clinical studies to support the submission of a new drug application, or NDA, to the U.S. Food and Drug Administration, or FDA, for galeterone for this indication;
- develop an *in vitro* companion diagnostic test to identify CRPC patients with AR-V7 in collaboration with Qiagen Manchester Limited, or Qiagen;
- develop galeterone for the treatment of other indications and patient populations in prostate cancer, including early-stage prostate cancer, and the treatment of prostate cancer in combination with currently marketed prostate cancer therapies and novel targeted agents;
- explore the use of galeterone for the treatment of other diseases that are associated with the androgen receptor signaling pathway;

- identify and develop compounds that are designed to disrupt androgen receptor signaling through enhanced androgen receptor degradation;
- enter into agreements with third parties to manufacture galeterone;
- establish a sales, marketing and distribution infrastructure to support the commercialization of galeterone in the United States;
- maintain, expand and protect our intellectual property portfolio;
- continue our other research and development efforts;
- acquire or in-license additional compounds or technologies; and
- operate as a public company.

We have never generated any revenue from product sales and may never be profitable. To become and remain profitable, we must develop and eventually commercialize a product or products with significant market potential and market acceptance. This development and commercialization will require us to be successful in a range of challenging activities, including successfully completing preclinical testing and clinical trials of galeterone for the treatment of CRPC patients whose tumor cells express AR-V7 and other indications and patient populations, as well as preclinical testing and clinical trials of any of our future product candidates, obtaining marketing and regulatory approval for these product candidates, successfully developing an *in vitro* companion diagnostic test to identify CRPC patients with AR-V7 in collaboration with third parties, partnering with third parties to manufacture our product candidates in commercial quantities, marketing and selling those products for which we may obtain regulatory approval, and obtaining reimbursement from third-party payors. We may never succeed in these activities and may never generate revenues that are significant or large enough to achieve profitability.

Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. The net losses we incur may fluctuate significantly from quarter-to-quarter and year-to-year, such that a period-to-period comparison of our results of operations may not be a good indication of our future performance. In any particular quarter or quarters, our operating results could be below the expectations of securities analysts or investors, which could cause our share price to decline. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts or continue our operations. A decline in the value of our company could also cause our stockholders to lose all or part of their investment.

***We will need substantial additional funding to complete our development of, and to commercialize, galeterone for the treatment of CRPC patients with AR-V7, which may not be available on acceptable terms, or at all. If we are unable to raise capital when needed, we may be forced to delay, reduce, terminate or eliminate product development programs, including our commercialization efforts for galeterone for the treatment of these patients and other indications and patient populations and for our future product candidates.***

As of June 30, 2015, we had cash and investments of $83.2 million. We expect that our existing cash and investments will only be sufficient to enable us to complete our ongoing Phase 2 clinical trial of galeterone, conduct ARMOR3-SV, fund the development of an *in vitro* companion diagnostic test in collaboration with Qiagen to identify CRPC patients with AR-V7, conduct other clinical trials and non-clinical studies necessary to support the submission of an initial NDA to the FDA for galeterone for this indication, as well as to continue to fund our operating expenses and capital expenditure requirements into the first half of 2017. We will need to obtain substantial additional funding in order to submit an initial NDA to the FDA, complete the development of, and commercialize, galeterone for these patients and other indications and patient populations and develop or commercialize any future product candidates. If we are unable to raise capital when needed or on acceptable terms, we may be forced to delay, reduce, terminate or eliminate our product development programs and our commercialization efforts.

Our future capital requirements will depend on many factors, including:

- the progress and results of ARMOR3-SV and our efforts to complete the clinical development of galeterone and submit an NDA to the FDA and marketing authorization applications to regulatory authorities outside of the United States;
- the progress and results of any additional clinical trials of galeterone that we decide to conduct for the treatment of other indications and patient populations in prostate cancer;

- the timing and outcome of regulatory review of galeterone for the treatment of prostate cancer in CRPC patients with AR-V7 and in any other indication or patient population, and of any other future product candidates;
- the progress and results of the development of an *in vitro* companion diagnostic test for identifying CRPC patients with AR-V7 under our agreement with Qiagen;
- the cost of commercialization activities, including product sales, marketing, manufacturing and distribution, for galeterone and our future product candidates for which we receive regulatory approval;
- the development of future product candidates, including our plans to seek to acquire or in-license additional compounds or technologies;
- revenue, if any, received from commercial sales of galeterone and any future product candidates, should any of our product candidates be approved by the FDA or a similar regulatory authority outside the United States;
- our ability to establish collaborations on favorable terms, if at all, particularly arrangements to develop, market and distribute galeterone and any future product candidates outside the United States; and
- the cost of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims.

Conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain regulatory approval and achieve product sales. In addition, galeterone and any future product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of products that we do not expect to be commercially available for several years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Additional financing may not be available to us on acceptable terms, or at all.

***Raising additional capital may cause dilution to our existing stockholders, restrict our operations, require us to relinquish rights to our technologies or product candidates or divert our management's attention from our operating activities.***

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. We will require substantial funding to fund our development and commercialization efforts, operating expenses and other activities. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights as a stockholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or current or future product candidates or to grant licenses on terms that may not be favorable to us. Additional fundraising efforts may also divert our management from their day-to-day activities, which may compromise our ability to develop and commercialize our product candidates.

**Risks Related to the Development and Regulatory Approval of Galeterone and Our Future Product Candidates**

***We depend heavily on the success of our lead product candidate, galeterone, which is in pivotal clinical development for the treatment of metastatic CRPC patients whose tumor cells express AR-V7. Any failure to successfully develop galeterone for these patients or for other indications or patient populations, or any future product candidates, or significant delays in doing so, would compromise our ability to generate revenue and become profitable.***

We currently have no products approved for sale and have only one product candidate, galeterone, in clinical development. We have invested substantially all of our efforts and financial resources in the development of galeterone, for which we are conducting a pivotal Phase 3 clinical trial in treatment-naïve metastatic CRPC patients whose tumor cells express AR-V7. Our ability to generate product revenues, which we do not expect will occur for at least the next several years, if ever, will depend heavily on the successful development and commercialization of galeterone for metastatic CRPC patients whose tumor cells express AR-V7. We also may develop galeterone for other indications or patient populations in prostate cancer or for the treatment of other diseases that are associated with the androgen receptor signaling pathway and compounds that are designed to disrupt androgen receptor signaling through enhanced androgen receptor degradation. The success of galeterone or other product candidates will depend on several factors, including the following:

- successfully completing clinical trials, including obtaining clinical results that are statistically significant as well as clinically meaningful in the context of the indications for which we are developing galeterone and our future product candidates;
- receiving marketing approvals for our products from the FDA and similar regulatory authorities outside the United States;
- successfully developing an *in vitro* companion diagnostic test to identify CRPC patients with AR-V7 in collaboration with Qiagen;
- making arrangements with third-party manufacturers for, or establishing, commercial manufacturing capabilities;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for galeterone or other product candidates, both in the United States and internationally;
- establishing successful sales and marketing arrangements and launching commercial sales of our products, if and when approved, whether alone or in collaboration with others;
- obtaining commercial acceptance of our products, if and when approved, by patients, the medical community and third-party payors;
- obtaining and maintaining adequate reimbursement;
- effectively competing with other therapies;
- protecting our rights in our intellectual property portfolio; and
- maintaining a continued acceptable safety profile of our products following regulatory approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize galeterone and our future product candidates, which would materially harm our business.

***If clinical trials of galeterone and our future product candidates, including our pivotal Phase 3 clinical trial of galeterone, fail to demonstrate safety and efficacy to the satisfaction of the FDA or similar regulatory authorities outside the United States or are not otherwise successful, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of galeterone and our future product candidates.***

Before obtaining regulatory approval for the sale of galeterone and our future product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more of our clinical trials can occur at any stage of testing. The outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval for their product candidates.

We are conducting a pivotal Phase 3 clinical trial of galeterone in treatment-naïve metastatic CRPC patients whose tumor cells express AR-V7 and anticipate having top-line data from the trial by the end of 2016. We have entered into a collaboration with Qiagen to develop and commercialize an AR-V7 specific assay as an *in vitro* companion diagnostic to identify CRPC patients with AR-V7. Our anticipated time to top-line data is subject to our continued ability to initiate clinical trial sites, our ability to recruit eligible patients, the prevalence of patients with the AR-V7 splice variant, the sensitivity of our clinical trial assay in detecting AR-V7 in patients, and disease progression of the patients enrolled in the trial. The rate of patient enrollment in the trial is difficult to predict as we have no experience recruiting patients with AR-V7 for a clinical trial, and the percentage of CRPC patients with AR-V7 is subject to widely varying projections in published literature. Moreover, because we have not previously conducted a clinical trial of galeterone in patients with AR-V7, and clinical trials of Xtandi® (enzalutamide) in AR-V7-positive patients have only been conducted in a limited number of patients at single clinical sites, our assumption concerning rates of disease progression could be incorrect. As a result, there can be no assurance that we will have top-line data from or complete the trial when we anticipate.

For drug and biological products, the FDA typically requires the successful completion of two adequate and well-controlled clinical trials to support marketing approval. In the case of galeterone, we intend to seek approval based upon the results of a single pivotal clinical trial. If the results of the trial are not robust, are subject to confounding factors, or are not adequately supported by other study endpoints, the FDA may refuse to approve galeterone based upon a single clinical trial. Thus there can be no guarantee that the FDA will not require additional pivotal clinical trials as a condition for approving galeterone.

Our ARMOR3-SV trial is a randomized, open label clinical trial comparing galeterone to Xtandi in 148 treatment-naïve metastatic CRPC patients whose prostate tumor cells express the AR-V7 splice variant. The primary endpoint of the trial is radiographic progression-free survival, or rPFS, as determined by a blinded, independent central imaging assessment. We have not conducted any clinical trials of galeterone for patients with AR-V7, comparing galeterone to an active comparator drug, or using a primary endpoint of rPFS. As a result, the results of the clinical trials that we have conducted may not be predictive of the outcome of our ARMOR3-SV trial.

Moreover, we are unaware of any completed or currently ongoing pivotal trials of treatments for prostate cancer for which the sole primary endpoint to support initial FDA drug approval was rPFS. In August 2014, we met with the FDA to discuss plans for our ARMOR3-SV trial. At this meeting, the FDA advised us that, in its view, rPFS and the use of rPFS in the metastatic CRPC context is limited by difficulties in bone scan interpretation and the complexity of the criteria used to define progression, each of which creates uncertainty as to the ability of rPFS to predict improvements in morbidity or mortality. The FDA also advised us that if we used rPFS as the sole primary endpoint, this uncertainty would need to be overcome by a statistically persuasive large relative and absolute magnitude of improvement in rPFS as well as internal consistency across secondary endpoints, including a supportive result in overall survival. We cannot be assured as to how the FDA will interpret any rPFS data that we generate in our ARMOR3-SV trial.

If we are required to conduct additional clinical trials or other testing of galeterone or of our future product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining marketing approval for galeterone or our future product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use restrictions or safety warnings, including boxed warnings;
- be subject to additional post-marketing testing requirements;
- be subject to restrictions on how the product is distributed or used; or
- have the product removed from the market after obtaining marketing approval.

***If we experience any of a number of possible unforeseen events in connection with our preclinical studies or clinical trials, our ability to conduct further clinical trials of, obtain regulatory approval of or commercialize galeterone or our future product candidates could be delayed or prevented.***

We may experience numerous unforeseen events during, or as a result of, preclinical studies or clinical trials that could delay or prevent our ability to conduct further clinical trials, obtain regulatory approval or commercialization of galeterone or our future product candidates. For instance, we experienced delays following our open label, dose escalation Phase 1 clinical trial of galeterone due to the exposure variability associated with the food effect of administering galeterone in capsule formulation and our efforts to reformulate galeterone, which resulted in the development of the spray dried dispersion formulation of galeterone and required us to conduct additional Phase 1 clinical trials. Unforeseen events that could delay or prevent our ability to conduct clinical trials, obtain regulatory approval or commercialize galeterone and our future product candidates include:

- regulators or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we may have delays in reaching or fail to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;
- preclinical studies and clinical trials of galeterone or our future product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional preclinical or clinical trials or abandon product development programs;
- the number of patients required for clinical trials of galeterone or our future product candidates may be larger than we anticipate, patient enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;
- our failure to conduct our clinical trials in accordance with the FDA's good clinical practices or applicable regulatory requirements in other countries;
- Qiagen is unable to develop the *in vitro* companion diagnostic test and obtain regulatory approval to market the test on a timely basis, or at all;
- we may decide, or regulators or institutional review boards may require us or our investigators to, suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements,
- a finding that the participants are being exposed to unacceptable health risks or the occurrence of serious adverse events associated with galeterone or our future product candidates;
- the cost of clinical trials of galeterone and our future product candidates may be greater than we anticipate; and
- the supply or quality of galeterone or our future product candidates or other materials necessary to conduct clinical trials of such product candidates may be insufficient or inadequate.

In addition, the patients recruited for clinical trials of our product candidates may have characteristics that are different than we expect and different than the clinical trials were designed for, which could adversely impact the results of the clinical trials. For example, our patients could develop genetic mutations that are not responsive or are otherwise resistant to galeterone.

Our product development costs will also increase if we experience delays in testing or obtaining marketing approvals. We do not know whether any clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. In addition to additional costs, significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do and impair our ability to commercialize our product candidates.

***Galeterone could ultimately prove to be ineffective or unsafe.***

As of July 31, 2015, we have administered galeterone to over 250 prostate cancer patients and healthy volunteers in Phase 1 and Phase 2 clinical trials. As of July 31, 2015, we had completed enrollment in the prescribed 12-week treatment phase of our Phase 2 clinical trial, and 16 of the 121 patients enrolled in the trial were still receiving galeterone in an optional extension phase. Despite this experience, we have yet to fully explore the safety and efficacy of galeterone. Ultimately, the results of our clinical trials to date, in which galeterone has been well tolerated and showed clinically meaningful reductions in levels of prostate specific antigen, or PSA, a

biochemical marker used to evaluate prostate cancer patients for signs of response to therapy, may prove to be incorrect. No assessment of the efficacy, safety or side effects of a product candidate can be considered complete until all clinical trials needed to support a submission for marketing approval are complete, and success in early-stage clinical trials does not mean that subsequent trials will confirm the earlier findings, or that experience with use of a product in large-scale commercial distribution will not identify additional safety or efficacy issues. If we find that galeterone is not safe, or if its efficacy cannot be consistently demonstrated, we may not be able to commercialize, or may be required to cease distribution of, the product. Galeterone may also prove to be substantially identical or inferior to drugs already available, in which case the market for galeterone would be reduced or eliminated.

We are conducting a pivotal Phase 3 clinical trial of galeterone in treatment-naïve metastatic CRPC patients whose tumor cells express AR-V7. We believe that patients' prostate tumor cells may not be responsive to treatment with Zytiga® (abiraterone acetate) and Xtandi in the presence of C-terminal loss, including AR-V7, but that galeterone, with its mechanism of androgen receptor degradation, may effectively treat these patients. There can be no assurance, however, that our beliefs and assumptions about the effectiveness of galeterone, Zytiga or Xtandi in the treatment of CRPC patients with C-terminal loss or AR-V7 are accurate. Our belief that patients' prostate tumor cells may not be responsive to treatment with Zytiga and Xtandi in the presence of C-terminal loss or AR-V7 is based on our understanding of the mechanisms of action of these products, data from clinical trials conducted by researchers at MD Anderson Cancer Center, or MD Anderson, Johns Hopkins University, or Johns Hopkins, and Memorial Sloan Kettering Cancer Center, or Sloan Kettering, and data from preclinical studies conducted by us and independent laboratories. The clinical studies conducted by MD Anderson, Johns Hopkins and Sloan Kettering only involved a limited number of patients with C-terminal loss or AR-V7 and were conducted in different patient populations, using different protocols and using different and/or unvalidated assays to identify patients with C-terminal loss or AR-V7. The patient populations, protocols and assays used in the MD Anderson, Johns Hopkins and Sloan Kettering studies may also differ from the patient populations, protocols and assays used in ARMOR3-SV. In addition, it is possible that other factors were present that caused, or contributed to, the poor responsiveness of Zytiga and Xtandi in the presence of C-terminal loss and AR-V7 in the clinical studies. The outcome of preclinical testing and clinical studies may not be predictive of the success of later clinical trials and is often susceptible to varying interpretations and analyses. If Zytiga and Xtandi are found to be more responsive to C-terminal loss or AR-V7 than we anticipate, any clinical trial designed to compare galeterone to Zytiga and Xtandi for this patient population would be less likely to succeed.

Our belief that galeterone may be effective in CRPC patients with C-terminal loss, including AR-V7, is based on data from preclinical studies and a retrospective subset analysis that identified, in an unvalidated assay, seven treatment-naïve CRPC patients in our Phase 2 clinical trial who had truncated androgen receptors with C-terminal loss. We believe that these data support our view that galeterone may be effective in patients without an intact ligand binding domain. There can be no assurance, however, that these data will be predictive of the success of ARMOR3-SV. ARMOR3-SV is the first clinical trial to evaluate galeterone in prospectively identified patients with AR-V7 and has a design that is different than the design of our Phase 2 clinical trial, including primary endpoints that, unlike our earlier trial, are not based on PSA. The failure of ARMOR3-SV would have a material adverse impact on our ability to obtain approval for galeterone and on our business, financial condition and prospects.

***If we experience delays or difficulties in the enrollment of patients in our clinical trials, or patients discontinue their participation in our clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.***

We may not be able to complete ARMOR3-SV or conduct any other clinical trials if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside the United States.

Our competitors may have ongoing clinical trials for product candidates that could be competitive with galeterone and our future product candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' product candidates.

We may not be able to identify, recruit and enroll a sufficient number of patients, or those with required or desired characteristics to achieve diversity in a trial, to complete our clinical trials in a timely manner. Patient enrollment is affected by other factors including:

- severity of the disease under investigation;
- design of the trial protocol;
- eligibility criteria for the study in question;
- perceived risks and benefits of the product candidate under study;

- trials of other products for similar indications;
- efforts to facilitate timely patient enrollment in clinical trials;
- patient referral practices of physicians;
- alternative products for similar indications;
- the ability to monitor patients adequately during and after treatment; and
- proximity and availability of clinical trial sites for prospective patients.

In particular, because ARMOR3-SV is focused on CRPC patients whose tumor cells express AR-V7, and we expect that only a small percentage of metastatic CRPC patients are AR-V7 positive, our ability to enroll eligible patients may be limited or may result in slower enrollment than we anticipate. We expect that we may need to screen more than 1,500 patients to identify and enroll the target AR-V7 positive patients. Because we have no experience recruiting patients with AR-V7 for a clinical trial and the percentage of CRPC patients with AR-V7 is subject to widely varying projections in published literature, we cannot be assured our projections for enrollment are accurate. In addition, the clinical trial assay developed for use to identify patients with AR-V7 has not previously been used in a clinical trial setting and its operation may differ from our expectations or be subject to operator variability. Patient enrollment in ARMOR3-SV may also be adversely affected by data that show little or no activity of Xtandi in patients with AR-V7 as patients in the trial will be randomized to the Xtandi arm and the trial will not provide for crossover to galeterone. Patient enrollment delays in ARMOR3-SV or any of our other future clinical trials may result in increased development costs for our product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing. Our inability to enroll a sufficient number of patients for ARMOR3-SV would result in significant delays. Any significant delays or increases in costs of ARMOR3-SV could result in the need for us to obtain additional funding to complete the trial.

In addition, patients enrolled in our clinical trials may discontinue their participation at any time during the trial as a result of a number of factors, including experiencing adverse clinical events that may or may not be associated with our product candidates under evaluation. We are aware that other late stage trials in CRPC have been adversely affected by discontinuations by patients who prematurely leave the trial in response to an increase in their PSA levels during the trial. The discontinuation of patients in any one of our trials may cause us to delay or abandon our clinical trial or may lead to negative or insufficient results to support a filing for marketing and regulatory approval of the applicable product candidate.

***If serious adverse or unforeseen side effects are identified during the development of galeterone or our future product candidates, we may need to abandon or limit our development of some or all of our product candidates.***

If galeterone or our future product candidates are associated with undesirable side effects or have characteristics that are unexpected, we may need to abandon their development or limit development to certain indications or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Adverse or unexpected side effects or characteristics of galeterone, whether discovered by us or independently publicized by third parties during clinical trials, could cause an institutional review board or regulatory authorities to interrupt, delay or halt clinical trials of galeterone or our future product candidates, require us to conduct additional clinical trials or other tests or studies, and could result in a more restrictive label, or the delay or denial of marketing approval by the FDA or comparable foreign regulatory authorities.

In our Phase 2 clinical trial, eight of the 121 patients enrolled experienced a serious adverse event that was assessed by the investigator as related or possibly related to the administration of galeterone. No single treatment-related serious adverse event occurred in more than one patient. To date, no adverse events have resulted in interruptions or delays of our clinical trials.

***In order to develop and commercialize galeterone for the treatment of metastatic CRPC patients whose tumor cells express AR-V7, we will need to develop and commercialize an in vitro companion diagnostic test that can be used to identify these patients. If we or Qiagen are unable to successfully develop, commercialize and obtain approval for an in vitro companion diagnostic test for this assay, or if there are significant delays in doing so, we may not achieve marketing approval or realize the full commercial potential of galeterone.***

We will need to develop and commercialize an *in vitro* companion diagnostic test that sensitively detects AR-V7 in order to seek approval of, and commercialize galeterone for patients whose tumor cells express AR-V7. We have entered into a collaboration with Qiagen to develop and commercialize an AR-V7 specific assay as an *in vitro* companion diagnostic test to identify CRPC patients with AR-V7. We have also discussed with the FDA our development strategy and plans for identifying AR-V7 in ARMOR3-SV including our plans to develop the assay as an *in vitro* companion diagnostic test.

We do not have experience or capabilities in developing, administering, obtaining regulatory approval for, or commercializing companion diagnostic tests and will need to rely in large part on Qiagen to perform these functions. Companion diagnostic tests are subject to regulation by the FDA and similar regulatory authorities outside of the United States as medical devices and require separate regulatory approval prior to commercialization. We and Qiagen or other third parties may encounter difficulties in developing, administering and obtaining approval for the *in vitro* companion diagnostic test, including issues relating to sample collection, selectivity, specificity, analytical validation, reproducibility or clinical validation.

If we or Qiagen are unable to successfully develop and obtain approval of an *in vitro* companion diagnostic test for this assay, or experience delays in doing so:

- the development of galeterone for use by CRPC patients with AR-V7 will be adversely affected if we are unable to appropriately select patients for enrollment in our clinical trials;
- galeterone may not receive marketing approval on a timely basis or at all; and
- we will not realize the full commercial potential of galeterone if, among other reasons, we are unable to appropriately identify patients with AR-V7.

If any of these events were to occur, our business would be materially harmed.

***If we are not able to obtain, or if there are delays in obtaining, required regulatory approvals, we will not be able to commercialize galeterone, and our ability to generate revenue will be materially impaired.***

Failure to obtain regulatory approval for galeterone for metastatic CRPC patients whose tumor cells express AR-V7, or for other indications and patient populations, will prevent us from commercializing galeterone for those indications. Although our management team has experience filing and supporting applications necessary to gain regulatory approvals, we have yet to file for or obtain regulatory approval to market galeterone in any jurisdiction. Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each therapeutic indication to establish galeterone's safety and efficacy. Securing FDA approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the FDA. Galeterone may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining regulatory approval or prevent or limit commercial use.

The process of obtaining regulatory approvals, both in the United States and abroad, is expensive, may take many years if additional clinical trials are required, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidate involved. Changes in regulatory approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may cause delays in the approval or rejection of an application. The FDA has substantial discretion in the approval process and may refuse to accept any application or may decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of galeterone. Any regulatory approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render galeterone commercially unviable.

If we experience delays in obtaining approval or if we fail to obtain approval of galeterone, the commercial prospects for galeterone may be harmed and our ability to generate revenues will be materially impaired.

***Even if we complete the necessary clinical trials, we cannot predict when or if we will obtain regulatory approval to commercialize galeterone or our future product candidates or the approval may be for a more narrow indication than we expect.***

Even if galeterone or any of our future product candidates demonstrate safety and efficacy in clinical trials, regulatory agencies may not complete their review processes in a timely manner or grant regulatory approval at all. Additional delays may result if a regulatory authority recommends non-approval or restrictions on approval. In addition, we may experience delays or rejections based upon additional government regulation from future legislation or administrative action, or changes in regulatory agency policy during the period of product development, clinical trials and the review process. Regulatory agencies also may approve a product candidate for fewer or more limited indications than requested or may grant approval subject to the performance of post-marketing studies. In addition, regulatory agencies may not approve the labeling claims that are necessary or desirable for the successful commercialization of galeterone or our future product candidates.

***We have obtained fast track designation from the FDA for galeterone for the treatment of metastatic CRPC. However, fast track designation may not actually lead to a faster development, regulatory review or approval process.***

If a product is intended for the treatment of a serious or life-threatening condition and the product candidate demonstrates the potential to address unmet needs for this condition, the treatment sponsor may apply for FDA fast track designation. If the fast track designation is obtained, the FDA may initiate review of sections of an NDA, before the application is complete. This "rolling review" is available if the applicant provides, and the FDA approves, a schedule for submission of the individual sections of the application. In June 2012, the FDA notified us that we had obtained fast track designation for galeterone for the treatment of metastatic CRPC. Fast track designation does not ensure that we will experience a faster development, regulatory review or approval process compared to conventional FDA procedures or that we will ultimately obtain regulatory approval of galeterone. Additionally, the FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program.

***In the event we receive FDA approval for galeterone for metastatic CRPC patients whose tumor cells express AR-V7, we will not be able to expand the indications for which galeterone is approved unless we receive FDA approval for each additional indication. Failure to expand these indications will limit the size of the commercial market for galeterone.***

We are focusing our initial development of galeterone on the treatment of metastatic CRPC patients whose tumor cells express AR-V7 and plan to seek marketing and regulatory approvals for galeterone for this patient population. We also plan to develop galeterone for the treatment of other indications and patient populations including prostate cancer and other diseases that are associated with the androgen receptor signaling pathway. In order to market and sell galeterone in the United States for these additional indications, we will need to conduct additional clinical trials and obtain FDA approval for each proposed indication. There can be no assurance that we will be successful in obtaining FDA approval for additional indications for the use of galeterone. If we are unsuccessful in expanding the approved indications for the use of galeterone, the size of the commercial market for galeterone will be limited.

***Failure to obtain regulatory approval in international jurisdictions would prevent galeterone or our future product candidates from being marketed abroad.***

In order to market and sell our products in jurisdictions outside the United States, we or third parties must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The approval process varies among countries and can involve additional testing. The time required to obtain foreign approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, it is required that the product be separately approved for reimbursement before the product can be approved for sale in that country. We intend to enter into arrangements with third parties under which they would market our products outside the United States. We or these third parties may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our products in any market.

**Risks Related to the Commercialization of Our Product Candidates**

***We have no history of commercializing pharmaceutical products, which may make it difficult to evaluate the prospects for our future viability.***

We have never commercialized a product candidate. Our operations to date have been limited to financing and staffing our company, developing our product candidates and conducting our preclinical studies and clinical trials. We have not completed a pivotal clinical trial, obtained marketing approvals or conducted sales and marketing activities necessary for successful product commercialization. Consequently, predictions about our future success or viability may not be as accurate as they could be if we had a history of successfully developing and commercializing pharmaceutical products.

We may also encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. In the future, we will need to transition from a company with a preclinical and clinical development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

***Even if galeterone receives regulatory approval, it may fail to achieve the degree of market acceptance by physicians, patients, healthcare payors and others in the medical community necessary for commercial success.***

Even if galeterone receives marketing approval, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, healthcare payors and others in the medical community. If galeterone does not achieve an adequate level of acceptance, we may not generate significant product revenues and we may not become profitable. The degree of market acceptance of galeterone or any of our future product candidates, if approved for commercial sale, will depend on a number of factors, including:

- efficacy and potential advantages compared to alternative treatments;
- the ability to offer galeterone and our future product candidates for sale at competitive prices;
- convenience and ease of administration compared to alternative treatments;
- the strength of sales, marketing and distribution support;
- the approval of other products for the same indications;
- combinations of existing or newly approved products that alter the standard of care;
- availability and amount of reimbursement from government payors, managed care plans and other third- party payors;
- adverse publicity about the product or favorable publicity about competitive products;
- clinical indications for which the product is approved; and
- the prevalence and severity of any side effects.

Even if a potential product candidate displays a favorable efficacy and safety profile in preclinical studies and clinical trials, market acceptance of the product will not be known until after it is launched. Our efforts to educate the medical community, patients and third-party payors on the benefits of galeterone or our other future product candidates may require significant resources and may never be successful.

***If galeterone or any of our future product candidates receives marketing approval and we, or others, later discover that the product is less effective than previously believed or causes undesirable side effects that were not previously identified, our ability to market the product could be compromised.***

Clinical trials are conducted in carefully defined subsets of patients who have agreed to enter into clinical trials. Consequently, it is possible that our clinical trials may indicate an apparent positive effect of a product candidate that is greater than the actual positive effect in a broader patient population or alternatively fail to identify undesirable side effects. If, following approval of a product candidate, we, or others, discover that the product is less effective than previously believed or causes undesirable side effects that were not previously identified, any of the following adverse events could occur:

- regulatory authorities may withdraw their approval of the product or seize the product;
- we may be required to recall the product or change the way the product is administered;

- additional restrictions may be imposed on the marketing of, or the manufacturing processes for, the particular product;
- regulatory authorities may require the addition of labeling statements, such as a "black box" warning or a contraindication;
- we may be required to create a Medication Guide outlining the risks of the previously unidentified side effects for distribution to patients;
- additional restrictions may be imposed on the distribution or use of the product via a Risk Evaluation and Mitigation Strategy;
- we could be sued and held liable for harm caused to patients;
- the product may become less competitive; and
- our reputation may suffer.

Any of these events could have a material and adverse effect on our operations and business and could adversely impact our stock price.

***If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market our product candidates, we may not be successful in commercializing galeterone or any of our future product candidates if they are approved.***

We do not have a sales or marketing infrastructure and have no experience in the sale, marketing or distribution of pharmaceutical products. To achieve commercial success for any approved product, we must either outsource these functions to third parties or develop an internal sales and marketing organization. If galeterone is approved in the United States, we intend to build a urology and oncology focused, specialty sales organization in the United States to support the commercialization of galeterone. We intend to commercialize galeterone outside the United States through collaborations with third parties. Such reliance on third parties to market our products, if approved, is risky as these parties may not perform satisfactorily or at all.

There are risks involved with both entering into arrangements with third parties to perform these services and establishing our own sales and marketing capabilities, neither of which we have pursued previously. For example, recruiting and training a sales force is expensive and time-consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retrain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our products on our own include:

- our inability to recruit and retain an adequate number of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to prescribe any future products;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenues or the profitability of these products are likely to be lower than if we were to market and sell any products that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell and market galeterone or our future product candidates or doing so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing galeterone or our future product candidates.

***We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.***

The development and commercialization of new drug products is highly competitive. Research and discoveries by others may result in breakthroughs which may render our products obsolete even before they generate any revenue. We face competition with respect to our lead product candidate, and will face competition with respect to any products that we may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market and sell products or are pursuing the development of products for the treatment of the disease indications for which we are developing galeterone. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Some of these competitive products and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. Many marketed therapies for the indications that we are currently pursuing, or indications that we may in the future seek to address, are widely accepted by physicians, patients and payors, which may make it difficult for us to replace them with any products that we successfully develop and are permitted to market.

We are focusing our late-stage development of galeterone on the treatment of CRPC patients whose prostate tumor cells express AR-V7. Based on their mechanisms of action, preclinical data and the data from investigator-initiated clinical trials conducted at MD Anderson, Johns Hopkins and Sloan Kettering, we believe that Zytiga and Xtandi may be less responsive in patients whose androgen receptor is truncated and do not expect that other drugs in development with similar mechanisms of action will be responsive in this patient population. We expect, however, that other drugs with alternative mechanisms of action may be developed for the treatment of this patient population.

We believe that galeterone may be well suited to treat other prostate cancer patient populations. If galeterone is approved for additional indications, it may compete with other secondary hormonal treatments currently being marketed, such as Zytiga and Xtandi, or with secondary hormonal treatment drug candidates currently in development. Galeterone could compete in the future with products, including secondary hormonal treatments, some of which are marketed by several of the world's largest and most experienced pharmaceutical companies, who have substantially more financial resources than us and greater flexibility to engage in aggressive price competition to gain revenues and market share. Approved secondary hormonal treatments in the United States for CRPC include Zytiga, marketed by Janssen Biotech, Inc. and Xtandi, marketed by Astellas Pharma US, Inc. and Medivation, Inc. Approved non-hormonal agents for CRPC include Taxotere® (docetaxel) and Jevtana® (cabazitaxel), marketed by sanofi-aventis U.S. LLC; Provenge® (sipuleucel-T), marketed by Valeant Pharmaceuticals International Inc.; and Xofigo® (radium-223), marketed by Bayer HealthCare Pharmaceuticals, Inc. It is uncertain whether we could compete with such products, and our failure to compete or decision to reduce the price of galeterone or other future products we may develop in order to compete could severely impact our business.

In addition, there are numerous prostate cancer products in clinical development by many public and private biotechnology and pharmaceutical companies targeting numerous different cancer types. A number of these are in late stage development. These include secondary hormonal treatments such as Johnson & Johnson's ARN-509 and Orion Corporation's ODM-201. Other compounds that are not secondary hormonal treatments in clinical development include Bavarian Nordic A/S's Prostvac. If a therapy for prostate cancer were developed that targeted the C-terminal loss or AR-V7 patient populations or altered the standard of care for the treatment of CRPC, such therapy could render galeterone irrelevant.

Our competitors may develop products that are more effective, safer, more convenient or less costly than any that we are developing or that would render galeterone or any future product candidates obsolete or non-competitive. Our competitors may also obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours.

Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific, medical and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

***Even if we are able to commercialize galeterone or any other future product candidates, the products may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives.***

The regulations that govern marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. In the United States, recently passed legislation may significantly change the approval requirements in ways that could involve additional costs and cause delays in obtaining approvals. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods, and negatively impact the revenues we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in galeterone or our future product candidates, even if our product candidates obtain regulatory approval.

Our ability to commercialize any products successfully also will depend in part on the extent to which reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any product that we commercialize and, if reimbursement is available, the level of reimbursement. Reimbursement may impact the demand for, or the price of, any product candidate for which we receive marketing approval. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any product candidate for which we receive marketing approval.

There may be significant delays in obtaining reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or similar regulatory authorities outside the United States. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third- party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

***Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of any products that we may develop.***

We face an inherent risk of product liability exposure related to the testing of galeterone and our future product candidates in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. Galeterone has not been widely used over an extended period of time, and therefore our safety data are limited.

If we cannot successfully defend ourselves against claims that galeterone or future product candidates or products we may develop caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue; and
- the inability to commercialize any products that we may develop.

We currently hold $5 million in product liability insurance coverage, which may not be adequate to cover all liabilities that we may incur. We will need to increase our insurance coverage when we begin commercializing galeterone and our future product candidates, if ever. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

**Risks Related to Our Dependence on Third Parties**

***We rely on third parties to conduct our clinical trials, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials.***

We do not independently conduct clinical trials of our product candidates. We rely on third parties, such as contract research organizations, clinical data management organizations, medical institutions and clinical investigators, to perform this function. Our reliance on these third parties for clinical development activities reduces our control over these activities but does not relieve us of our responsibilities. We remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as Good Clinical Practices, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, regulatory approvals for galeterone or other product candidates we may develop in the future and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates.

***We may enter into collaborations with third parties for the development and commercialization of galeterone and future product candidates we may develop. If those collaborations are not successful, we may not be able to capitalize on the market potential of these product candidates.***

We may enter into collaborations with third parties for the development and commercialization of galeterone and future product candidates we may develop. Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner, or at all. We will likely have limited control under any additional arrangements we may enter into with third parties over the amount and timing of resources that our collaborators dedicate to the development or commercialization of our product candidates. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements.

Collaborations involving our product candidates would pose the following risks to us:

- collaborators may have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborator's strategic focus or available funding, or external factors such as an acquisition that diverts resources or creates competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products
- are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- collaborators with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;

- collaborators may have the right to conduct clinical trials of our product candidates without our consent and could conduct trials with flawed designs that result in data that adversely affect our clinical trials, our ability to obtain marketing approval for our product candidates or market acceptance of our product candidates;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our proprietary information or expose us to potential litigation;
- disputes may arise between the collaborators and us that result in the delay or termination of the research, development or commercialization of our products or product candidates or that result in costly litigation or arbitration that diverts management attention and resources; and
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates.

In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators. If a present or future collaborator of ours were to be involved in a business combination, the continued pursuit and emphasis on our product development or commercialization program could be delayed, diminished or terminated.

***If we are not able to establish collaborations, we may have to alter our development and commercialization plans.***

We will face significant competition in seeking appropriate collaborators if we determine to do so. Whether we reach a definitive agreement for a collaboration will depend upon, among other things, our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Such factors may include the design or results of clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge, and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available for collaboration and whether such a collaboration could be more attractive than the one with us for galeterone. We may also be restricted under existing license agreements from entering into agreements on certain terms with potential collaborators. Collaborations are complex and time-consuming to negotiate and document. We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all.

If we are not able to obtain such funding or enter into collaborations for galeterone, we may have to curtail the development of galeterone, reduce or delay our development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop galeterone or other future candidates or bring these product candidates to market and generate product revenue.

***Failure of Qiagen to successfully develop or commercialize an in vitro companion diagnostic test to prospectively identify prostate cancer patients with AR-V7 could harm our ability to commercialize galeterone.***

We do not plan to internally develop an *in vitro* companion diagnostic test to prospectively identify prostate cancer patients with AR-V7 and, as a result, we will be dependent on the efforts of Qiagen to successfully develop and commercialize this test. Qiagen:

- may not perform its obligations as expected or as required under our agreement with Qiagen;
- may encounter production difficulties that could constrain the supply of the *in vitro* companion diagnostic test;
- may have difficulties gaining acceptance of the use of the *in vitro* companion diagnostic test in the clinical community;
- may not pursue commercialization of the *in vitro* companion diagnostic test even if they receive any required regulatory approvals;
- may elect not to continue the development of the *in vitro* companion diagnostic test based on changes in the third parties' strategic focus or available funding, or external factors such as an acquisition, that divert resources or create competing priorities;

- may not commit sufficient resources to the marketing and distribution of the *in vitro* companion diagnostic test; and
- may terminate their relationship with us.

If the *in vitro* companion diagnostic test that is developed to prospectively identify prostate cancer patients with AR-V7 fails to gain market acceptance, our ability to derive revenues from sales from galeterone would be harmed. If Qiagen or any other third parties we engage fail to commercialize the *in vitro* companion diagnostic test, we may not be able to enter into arrangements with another diagnostic company to obtain supplies of an alternative test for use in connection with galeterone or do so on commercially reasonable terms, which could adversely affect and delay the development or commercialization of galeterone.

***If galeterone is approved, we intend to rely on third parties to perform many necessary services related to the sale and distribution of galeterone, and expect to do so for any future product candidates.***

If galeterone is approved, we intend to retain third-party service providers to perform a variety of functions related to the sale and distribution of galeterone, key aspects of which are out of our direct control. For example, we intend to rely on third parties to provide key services related to logistics, warehousing and inventory management, distribution, contract administration and chargeback processing, accounts receivable management, and storage, including entrusting our inventories of galeterone to their care and handling. If these third-party service providers fail to comply with applicable laws and regulations, fail to meet expected deadlines, or otherwise do not carry out their contractual duties to us, or encounter physical damage or natural disaster at their facilities, our ability to deliver galeterone to meet commercial demand would be significantly impaired. In addition, we intend to utilize third parties to perform various other services for us relating to sample accountability and regulatory monitoring, including adverse event reporting, safety database management and other product maintenance services. If the quality or accuracy of the data maintained by these service providers is insufficient, our ability to market galeterone could be jeopardized or we could be subject to regulatory sanctions. We do not currently have the internal capacity to perform these important commercial functions, and we may not be able to maintain commercial arrangements for these services on reasonable terms.

**Risks Related to the Manufacturing of Galeterone and Our Future Product Candidates**

***We contract with third parties for the manufacture of galeterone for clinical trials and expect to continue to do so in connection with the commercialization of galeterone and for clinical trials and commercialization of any other product candidates that we develop. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.***

We do not currently have nor do we plan to build the internal infrastructure or capability to manufacture galeterone. We currently rely on and expect to continue to rely on third-party contract manufacturers to manufacture clinical supplies of galeterone and any other product candidates we may develop. We expect to continue to rely upon third-party contract manufacturers to manufacture commercial quantities of galeterone and any other product candidates that we commercialize following approval for marketing by applicable regulatory authorities. Reliance on third-party manufacturers entails risks, including:

- manufacturing delays if our third-party manufacturers give greater priority to the supply of other products over our product candidates or otherwise do not satisfactorily perform according to the terms of the agreement between us;
- the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us;
- the possible breach of the manufacturing agreement by the third party;
- the failure of the third-party manufacturer to comply with applicable regulatory requirements; and
- the possible misappropriation of our proprietary information, including our trade secrets and know-how.

We currently rely on a small number of third-party contract manufacturers for all of our required raw materials, drug substance and finished product for our clinical trials. We do not have long-term agreements with any of these third parties. If any of our existing manufacturers should become unavailable to us for any reason, we may incur some delay in our clinical trials as we identify or qualify replacements.

We currently rely on a single third-party contract manufacturer, with which we do not have a long-term agreement, to supply us with the spray dried dispersion formulation of galeterone. If this third-party manufacturer fails to fulfill orders or should become unavailable to us for any reason, we likely would incur some delay in our clinical trials for galeterone and added costs and delays in identifying or qualifying such replacements. In addition, we may be unable to establish any agreements with such a replacement manufacturers or to do so on acceptable terms or at all. Even if we could transfer manufacturing to a different third party, the shift would likely be expensive and time-consuming.

If galeterone or any other product candidate that we may develop in the future is approved by any regulatory agency, we intend to enter into agreements with third-party contract manufacturers for the commercial production of those products. This process is difficult and time-consuming and we may face competition for access to manufacturing facilities as there are a limited number of contract manufacturers operating under current good manufacturing processes, or cGMPs, that are capable of manufacturing our product candidates. As a result, we may be unable to reach agreement with third-party manufacturers on satisfactory terms or at all, which could delay our commercialization.

Our current and anticipated future dependence upon others for the manufacture of galeterone and any other product candidate that we develop may adversely affect our future profit margins and our ability to commercialize any products that receive marketing approval on a timely and competitive basis.

***If our third-party manufacturing facilities are damaged or destroyed, or production at one of these facilities is otherwise interrupted, our business and prospects would be negatively affected.***

If any manufacturing facilities owned by third parties who manufacture galeterone or any of our future product candidates are damaged or destroyed, we likely would not be able to quickly or inexpensively replace our manufacturing capacity and possibly would not be able to replace it at all. Any new facility needed to replace these facilities would need to comply with the necessary regulatory requirements and need to be tailored to our specialized manufacturing requirements. We would need FDA approval before selling any products manufactured at a new facility. Such an event could delay our clinical trials or, if any of our product candidates are approved by the FDA, reduce or eliminate our product sales.

While we maintain insurance coverage to cover damage to our property and equipment and to cover business interruption and research and development restoration expenses, if we have underestimated our insurance needs with respect to an interruption in our clinical manufacturing of our product candidates, we may not be able to adequately cover our losses.

***We rely on our third-party manufacturers for compliance with applicable regulatory requirements. This may increase the risk of sanctions being imposed on us or on a manufacturer of our products or product candidates, which could result in our inability to obtain sufficient quantities of these products or product candidates.***

Our manufacturers may not be able to comply with cGMPs, regulations or other regulatory requirements or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including:

- fines;
- injunctions;
- civil penalties;
- failure of regulatory authorities to grant marketing approval of our product candidates;
- delays, suspension or withdrawal of approvals;
- suspension of manufacturing operations;
- license revocation;
- seizures or recalls of products or product candidates;
- operating restrictions; and
- criminal prosecutions.

Any of these sanctions could significantly and adversely affect supplies of our products and product candidates.

**Risks Related to Our Intellectual Property**

***If we fail to comply with our obligations under our intellectual property licenses with third parties, we could lose license rights that are important to our business.***

We are a party to a master license agreement with the University of Maryland, Baltimore, or UMB, under which we license certain patents and patent applications to make, have made, use, sell, offer to sell and import certain anti-androgen compounds, including galeterone, and an exclusive, worldwide license with Johns Hopkins under which we license patent applications and know-how covering certain assays to identify androgen receptor variants for use as a companion diagnostic with galeterone. We may enter into additional license agreements in the future. Our license agreements with UMB and Johns Hopkins impose, and we expect that future license agreements will impose, various diligence, milestone payment, royalty, insurance and other obligations on us. If we fail to comply with our obligations under these licenses, our licensors may have the right to terminate these license agreements, in which event we might not be able to market any product that is covered by these agreements, or our licensors may convert the license to a non-exclusive license, which could materially adversely affect the value of the product candidate being developed under the license agreement. Termination of these license agreements or reduction or elimination of our licensed rights may result in our having to negotiate new or reinstated licenses with less favorable terms.

***Restrictions on our patent rights relating to our drug candidates may limit our ability to prevent third parties from competing against us.***

As of July 31, 2015, we owned two issued U.S. patents, 15 U.S. provisional and non-provisional patent applications, one granted foreign patent and 34 foreign applications in our galeterone patent portfolio. We also had rights under our license agreement with UMB to six issued U.S. patents and 66 granted foreign patents as well as six U.S. patent applications and nine foreign applications. In addition, we have rights under a license agreement with Johns Hopkins to four U.S. patent applications and nine foreign patent applications. Our owned and licensed patent and patent applications, if issued, are expected to expire on various dates from 2017 through 2036, without taking into account any possible patent term extensions. Our success will depend, in part, on our ability to obtain and maintain patent protection for galeterone and other product candidates, preserve our trade secrets, prevent third parties from infringing upon our proprietary rights and operate without infringing upon the proprietary rights of others.

Patent applications in the United States and most other countries are confidential for a period of time until they are published, and publication of discoveries in scientific or patent literature typically lags actual discoveries by several months or more. As a result, we cannot be certain that we and the inventors of the intellectual property for which we have submitted patent applications or in-license issued patents and applications, were the first to conceive of the inventions covered by such patents and pending patent applications or that we and those inventors were the first to file patent applications covering such inventions. Also, the patent protection of our numerous issued and pending patent applications may lapse before we manage to obtain commercial value from them, which might result in increased competition and materially affect our position in the market.

We have no patent protection specifically covering the chemical structure of galeterone. As a result, a third party that obtains regulatory approval of a product with the same active ingredient as galeterone may be able to market such product so long as the third party does not infringe any other patents owned or licensed by us with respect to galeterone. A U.S. patent we have exclusively licensed from UMB covering galeterone-related compounds and their use expires in 2017. We do not expect this patent to provide significant protection for galeterone given its expiration date and our anticipated timing of development and commercialization of galeterone. For this reason, we have filed for or licensed additional patents and patent applications relating to galeterone covering methods of use, pharmaceutical compositions, combination treatments, prodrugs, metabolites and analogs of galeterone and their use.

We also have an exclusive license from Johns Hopkins for patent applications in the United States, Europe, and Canada covering methods of determining whether a subject may respond to androgen therapy, and methods of determining a subject's risk of recurrence of hormone-refractory or hormone-naïve prostate cancer. If issued, the term of the resulting patents would be expected to expire in 2029. These patents applications may provide protection for an AR-V7 specific assay or the *in vitro* companion diagnostic test using this assay that we and Qiagen may develop and commercialize. However, these patent applications do not provide any protection for galeterone or for galeterone's pharmaceutical formulations or uses.

Our owned and licensed patents and patent applications, if issued, are expected to expire on various dates from 2017 through 2036. Upon the expiration of these patents, we, UMB and Johns Hopkins, as applicable, will lose the right to exclude others from practicing the inventions claimed by such patents. As a result, the expiration of these patents could have a material adverse effect on our business, results of operations, financial condition and prospects.

***If we are unable to obtain and maintain patent protection for our technology and products, or if our licensors are unable to obtain and maintain patent protection for the technology or products that we license from them, or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully commercialize our technology and products may be adversely affected.***

Our success depends in large part on our and our licensors' ability to obtain and maintain patent protection in the United States and other countries with respect to our proprietary technology and products. We and our licensors have sought to protect our proprietary position by filing patent applications in the United States and abroad related to our novel technologies and products that are important to our business. This process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development efforts before it is too late to obtain patent protection. Moreover, prior to April 10, 2012, we did not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology or products that we license from UMB, and we were and still are reliant on UMB. Therefore, we cannot be certain that these patents and applications were prosecuted in a manner consistent with the best interests of our business. If we or our licensors fail to maintain such patents, or lose rights to those patents, the rights we have licensed may be reduced or eliminated.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our and our licensors' patent rights are highly uncertain. Our and our licensors' pending and future patent applications may not result in patents being issued which protect our technology or products or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection.

Third parties could practice our inventions in territories where we do not have patent protection. Furthermore, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. A U.S. patent may be infringed by anyone who, without authorization, practices a patented process in the United States or imports a product made by a process covered by the U.S. patent. In foreign countries, however, importation of a product made by a process patented in that country may not constitute an infringing activity, which would limit our ability to enforce process patents against importers in that country. Furthermore, the legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection. This could make it difficult for us to stop the infringement or misappropriation of our intellectual property rights. If competitors are able to use our technologies, our ability to compete effectively could be harmed.

Assuming the other requirements for patentability are met, in the United States, the first to invent the claimed invention is entitled to the patent, while outside the United States, the first to file a patent application is generally entitled to the patent. Under the America Invents Act, or AIA, enacted in September 2011, the United States moved to a first inventor to file system in March 2013. The U.S. Patent and Trademark Office recently finalized the rules relating to these changes and courts have yet to address the new provisions. These changes could increase the costs and uncertainties surrounding the prosecution of patent applications and the enforcement or defense of patent rights. Furthermore, we may become involved in interference proceedings, opposition proceedings, or other post-grant proceedings, such as reexamination or *inter partes* review proceedings, challenging our patent rights or the patent rights of others. An adverse determination in any such proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights.

Even if our owned and licensed patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and our owned and licensed patents may be challenged in the courts or patent offices in the United States and abroad. Such challenges, including through opposition or other post-grant proceedings, may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to or stop or prevent us from stopping others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others may be able to make or use compounds that are similar to galeterone but that are not covered by the claims of our patents;
- the galeterone compound may become generic, and no patent protection will be available without regard to formulation or method of use;

- we or our licensors, as the case may be, may not be able to detect infringement against our owned or in-licensed patents, which may be especially difficult for manufacturing processes or formulations;
- we or our licensors, as the case may be, might not have been the first to make the inventions covered by our owned or in-licensed issued patents or pending patent applications;
- we or our licensors, as the case may be, might not have been the first to file patent applications for these inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies;
- this may be especially likely for manufacturing processes or formulations;
- it is possible that our pending patent applications will not result in issued patents;
- it is possible that our owned or in-licensed issued patents or pending patent applications are not Orange Book eligible;
- it is possible that there are dominating patents to galeterone of which we are not aware;
- it is possible that there are prior public disclosures that could invalidate our or our licensors' inventions, as the case may be, or parts of our or their inventions of which we or they are not aware;
- it is possible that others may circumvent our owned or in-licensed patents;
- it is possible that there are unpublished applications or patent applications maintained in secrecy that may later issue with claims covering our products or technology similar to ours;
- it is possible that the U.S. government may exercise any of its statutory rights to our owned or in-licensed patents or patent applications that was developed with government funding;
- the laws of foreign countries may not protect our or our licensors', as the case may be, proprietary rights to the same extent as the laws of the United States;
- the claims of our owned or in-licensed issued patents or patent applications, if and when issued, may not cover our system or product candidates;
- our owned or in-licensed issued patents may not provide us with any competitive advantages, or may be narrowed in scope, be held invalid or unenforceable as a result of legal challenges by third parties; or
- we may not develop additional proprietary technologies for which we can obtain patent protection.

***We may become involved in lawsuits to protect or enforce our patents, which could be expensive, time- consuming and unsuccessful.***

Competitors may infringe our patents. To counter such infringement or unauthorized use, we may be required to file infringement claims against third parties, which can be expensive and time-consuming. In addition, during an infringement proceeding, a court may decide that the patent rights we are asserting are invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, our licensors may have rights to file and prosecute such claims, and we are reliant on them.

***Claims that galeterone or the manufacture, use or sale of galeterone infringe the patent rights of third parties could result in costly litigation or could require substantial time and money to resolve, even if litigation is avoided.***

We cannot guarantee that galeterone, its manufacture, use or sale, does not and will not infringe third-party patents. Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets. Such third parties might resort to litigation against us. The basis of such litigation could be existing patents or patents that issue in the future.

It is also possible that we failed to identify relevant third-party patents or applications. For example, certain U.S. patent applications that will not be filed outside the United States may remain confidential until patents issue. Furthermore, patent applications in the United States and elsewhere are published approximately 18 months after the earliest filing, which is referred to as the priority date. Therefore, patent applications covering galeterone, its manufacture, use or sale, could have been filed by others without our knowledge. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover galeterone or its use.

We are aware of two issued U.S. patents having broad claims relating to a composition of matter or its use in regulating cellular differentiation or proliferation. We are also aware of certain third-party pending U.S. patent applications that have broad generic disclosures and disclosure of certain compounds possessing structural similarities to galeterone. Although we believe that it is unlikely that such applications will lead to issued claims that would cover galeterone and its use and still be valid, patent prosecution is inherently unpredictable and an application could be allowed. Based on our analyses, we do not believe our proposed products or activities would be found to infringe any valid claims of these patents if any of the above third-party patents or patent applications, if issued, were asserted against us. If we were to challenge the validity of an issued U.S. patent in court, we would need to overcome a statutory presumption of validity that attaches to every U.S. patent. This means that in order to prevail, we would have to present clear and convincing evidence as to the invalidity of the patent's claims. There is no assurance that a court would find in our favor on questions of infringement or validity.

In order to avoid or settle potential claims with respect to any patent rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be non-exclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing galeterone, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms. This could harm our business significantly.

Defending against claims of patent infringement or misappropriation of trade secrets could be costly and time-consuming, regardless of the outcome. Most of our competitors are larger than we are and have substantially greater resources. They are, therefore, likely to be able to sustain the costs of complex patent or trade secret litigation longer than we could. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs. In addition, litigation or threatened litigation could result in significant demands on the time and attention of our management team, distracting them from the pursuit of other company business. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to continue our clinical trials, continue our internal research programs, in-license needed technology, or enter into strategic partnerships that would help us bring our product candidates to market.

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

Many of our employees were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

***Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.***

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our

competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

***Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them or that our trade secrets will be misappropriated or disclosed.***

Because we rely on third parties in the discovery, development and manufacture of our product candidates, and because we collaborate with various organizations and academic institutions on the advancement of our technology, we must, at times, share trade secrets with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with our collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, such as trade secrets. Despite these contractual provisions, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by potential competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade secrets, discovery by a third party of our trade secrets or other unauthorized use or disclosure would impair our intellectual property rights and protections in our product candidates.

Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

In addition, our third party agreements typically restrict the ability of our collaborators, advisors, employees and consultants to publish data potentially relating to our trade secrets. Our academic collaborators typically have rights to publish data, provided that we are notified in advance and may delay publication for a specified time in order to secure our intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by us, although in some cases we may share these rights with other parties. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of these agreements, independent development or publication of information including our trade secrets in cases where we do not have proprietary or otherwise protected rights at the time of publication.

**Risks Related to Legal Compliance Matters**

***Any product candidate for which we receive marketing approval could be subject to restrictions or withdrawal from the market and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our products, if any of them are approved.***

Any product candidate for which we receive marketing approval, along with the manufacturing processes, post-approval clinical data, labeling, advertising and promotional activities for such product, will be subject to continual requirements of and review by the FDA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, cGMP requirements relating to quality control, quality assurance and corresponding maintenance of records and documents. Even if regulatory approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. The FDA closely regulates the post-approval marketing and promotion of drugs to ensure drugs are marketed only for the approved indications and in accordance with the provisions of the approved label. The FDA imposes stringent restrictions on manufacturers' communications regarding off-label use and if we do not market our products for their approved indications, we may be subject to enforcement action for off-label marketing.

In addition, later discovery of previously unknown problems with our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may have adverse consequences, including:

- restrictions on such products, manufacturers or manufacturing processes;
- restrictions on the marketing of a product;
- restrictions on product distribution;
- requirements to conduct post-marketing clinical trials;

- warning or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits or revenue;
- suspension or withdrawal of regulatory approvals;
- refusal to permit the import or export of our products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

***Our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, program exclusion, contractual damages, reputational harm and diminished profits and future earnings.***

Healthcare providers, physicians and third-party payors play a primary role in the recommendation and prescription of any product candidates for which we receive marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we receive marketing approval. Restrictions under applicable federal and state healthcare laws and regulations, include the following:

- the federal healthcare anti-kickback statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs such as Medicare and Medicaid;
- the federal False Claims Act imposes civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program and also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;
- the federal transparency requirements under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, require manufacturers of covered drugs, devices, biologics and medical supplies to report to the Department of Health and Human Services information related to physician payments and other transfers of value and physician ownership and investment interests; and
- analogous state laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers, and some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug manufacturers to report information related to payments to physicians and other health care providers or marketing expenditures.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and may require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any of the physicians or other providers or entities with whom we expect to do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

***Recently enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize galeterone or other future products candidates and affect the prices we may obtain.***

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of galeterone or other future products candidates, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we receive marketing approval.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or Medicare Modernization Act, changed the way Medicare covers and pays for pharmaceutical products. The legislation expanded Medicare coverage for drug purchases by the elderly and introduced a new reimbursement methodology based on average sales prices for physician administered drugs. In addition, this legislation provided authority for limiting the number of drugs that will be covered in any therapeutic class in certain cases. Cost reduction initiatives and other provisions of this and other more recent legislation could decrease the coverage and reimbursement that is provided for any approved products. While the Medicare Modernization Act applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from the Medicare Modernization Act or other more recent legislation may result in a similar reduction in payments from private payors.

In March 2010, President Obama signed into law the Health Care Reform Law, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for health care and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. Effective October 1, 2010, the Health Care Reform Law revises the definition of "average manufacturer price" for reporting purposes, which could increase the amount of Medicaid drug rebates to states. Further, the new law imposes a significant annual fee on companies that manufacture or import branded prescription drug products. Substantial new provisions affecting compliance have also been enacted, which may affect our business practices with health care practitioners. We will not know the full effects of the Health Care Reform Law until applicable federal and state agencies issue regulations or guidance under the new law. Although it is too early to determine the effect of the Health Care Reform Law, the new law appears likely to continue the pressure on pharmaceutical pricing, especially under the Medicare program, and may also increase our regulatory burdens and operating costs.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of galeterone or our other future products candidates, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

***If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.***

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and radioactive and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

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

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

**Risks Related to Employee Matters and Managing Growth**

***Our future success depends on our ability to retain our chief executive officer and other key executives and to attract, retain and motivate qualified personnel.***

We are highly dependent on Jodie Morrison, our President and Chief Executive Officer, as well as the other members of our executive and scientific teams. Although we have formal employment agreements with each of our executive officers, these agreements do not prevent our executives from terminating their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

Recruiting and retaining qualified scientific, clinical and sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

***We expect to expand our research and development, manufacturing and sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.***

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of research and development, manufacturing and sales and marketing. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

**Risks Related to Our Common Stock**

***Our executive officers, directors and principal stockholders maintain the ability to control all matters submitted to stockholders for approval.***

Our executive officers, directors and stockholders who own more than 5% of our outstanding common stock, together with their affiliates and related persons, in the aggregate, beneficially own shares representing approximately 70% of our common stock, based on the number of shares of our common stock outstanding as of July 31, 2015. As a result, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

We believe our two largest stockholders, Apple Tree Partners and Novartis BioVentures, Ltd., in the aggregate, beneficially own shares representing approximately 55% of our common stock in the aggregate, based on the number of shares of our common stock outstanding as of July 31, 2015. As a result, each of these stockholders acting individually, as well as together, may exercise significant control over our management and affairs.

***Provisions in our corporate charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions in our corporate charter and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which our stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that not all members of the board are elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a "poison pill" that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

***An active trading market for our common stock may not be sustained, and investors may not be able to resell their shares at or above the price they paid.***

Although we have listed our common stock on The NASDAQ Global Market, an active trading market for our shares may not be sustained. In the absence of an active trading market for our common stock, investors may not be able to sell their common stock at or above the prices at which they acquired their shares or at the time that they would like to sell. An inactive trading market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

***Our stock price has been and may in the future be volatile, which could cause purchasers of our common stock to incur substantial losses.***

Our stock price has been and in the future may be subject to substantial volatility. The stock market in general and the market for biotechnology companies in particular has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. For example, our stock traded within a range of a high price of $30.00 per share and a low price of $9.67 per share for the period beginning September 17, 2014, our first day of trading on The NASDAQ Global Market, through July 31, 2015. As a result of this volatility, our stockholders could incur substantial losses. The market price for our common stock may be influenced by many factors, including:

- results of clinical trials of galeterone and our future product candidates or those of our competitors;
- the success of competitive products or technologies;

- potential approvals of galeterone or other future product candidates for marketing by the FDA or equivalent foreign regulatory authorities or our failure to obtain such approvals;
- regulatory or legal developments in the United States and other countries;
- the results of our efforts to commercialize galeterone or other future products candidates;
- developments or disputes concerning patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to galeterone or any of our future product candidates or clinical development programs;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates or products;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors and issuance of new or changed securities analysts' reports or recommendations;
- general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

In addition, pharmaceutical companies have experienced significant share price volatility in recent years, and securities class action litigation often follows a decline in the market price of a company's securities. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources.

***We must maintain effective internal control over financial reporting, and if we are unable to do so, the accuracy and timeliness of our financial reporting may be adversely affected, which could have a material adverse effect on our business and stock price.***

We must maintain effective internal control over financial reporting in order to accurately and timely report our results of operations and financial condition. In addition, as a public company, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, will require, among other things, that we assess the effectiveness of our disclosure controls and procedures quarterly and the effectiveness of our internal control over financial reporting at the end of each fiscal year. We anticipate being first required to issue management's annual report on internal control over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act, in connection with issuing our consolidated financial statements as of and for the year ending December 31, 2015.

The rules governing the standards that must be met for our management to assess our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act are complex and require significant documentation, testing and possible remediation. These standards require that our audit committee be advised and regularly updated on management's review of internal control over financial reporting. Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that will be applicable to us as a public company. If we fail to staff our accounting and finance function adequately or maintain internal control over financial reporting adequate to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, our business and reputation may be harmed and our stock price may decline. Furthermore, investor perceptions of us may be adversely affected, which could cause a decline in the market price of our common stock.

***We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives and corporate governance practices.***

As a public company, and particularly after we are no longer an "emerging growth company," we will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NASDAQ Stock Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. We expect that we will need to hire additional accounting, finance and other personnel in connection with our efforts to comply with the requirements of being, a public company and our management and other personnel will need to devote a substantial amount of time towards maintaining compliance with these requirements. These requirements will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that the rules and regulations applicable to us as a public company may make it more difficult and more expensive for us to obtain director and officer liability insurance, which could make it more difficult for us to attract and retain qualified members of our board of directors. Overall, we estimate that our incremental costs resulting from operating as a public company may be between $2.0 million and $4.0 million per year. The rules and regulations associated with being a public company are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

***We are an "emerging growth company," and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.***

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and may remain an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier. For so long as we remain an emerging growth company, we are permitted and plan to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In this prospectus, we have not included all of the executive compensation related information that would be required if we were not an emerging growth company. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

***Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be the sole source of gain for our stockholders.***

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of existing or any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders for the foreseeable future.

***If equity research analysts do not publish research reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.***

The trading market for our common stock will rely in part on the research and reports that equity research analysts publish about us and our business. We do not have any control over these analysts. The price of our common stock could decline if we do not obtain research analyst coverage, or one or more securities analysts downgrade our common stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

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

***Use of Proceeds from Initial Public Offering***

On September 22, 2014, we completed the initial public offering of our common stock and issued and sold 6,480,000 shares of our common stock at a price to the public of $15.00 per share. In addition, on October 9, 2014, we issued and sold an additional 540,000 shares of common stock at the initial public offering price of $15.00 per share as a result of the partial exercise by the underwriters of their option to purchase additional shares of common stock.

The offer and sale of all of the shares in our initial public offering was registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-198052), which was declared effective by the SEC on September 16, 2014, and a registration statement on Form S-1MEF (File No. 333-198792), which was automatically effective upon filing with the SEC on September 16, 2014. Following the sale of the shares in connection with the closing of our initial public offering, the offering terminated. The offering commenced on September 16, 2014 and did not terminate until the sale of all of the shares offered.

We received aggregate gross proceeds from the offering of $105.3 million, or aggregate net proceeds of $94.6 million after deducting underwriting discounts and commissions and offering expenses. None of the underwriting discounts and commissions or offering expenses were incurred or paid to directors or officers of ours or their associates or to persons owning 10 percent or more of our common stock or to any of our affiliates.

As of June 30, 2015, we estimate that we have used approximately $31.4 million of the net proceeds from our initial public offering to fund the clinical development of galeterone and for working capital and other general corporate purposes. We have invested the unused proceeds from the offering in marketable securities and money market accounts. There has been no material change in our planned use of the net proceeds from our initial public offering as described in our final prospectus filed with the SEC on September 17, 2014 pursuant to Rule 424(b)(4) under the Securities Act.

**Item 5. Other Information.**

The following disclosure is provided in accordance with and in satisfaction of the requirements of Item 2.02, “Results of Operations and Financial Condition” of Form 8-K:

On August 12, 2015, we announced our financial results for the quarter ended June 30, 2015 and commented on certain of our accomplishments and plans. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 hereto.

**Item 6. Exhibits.**

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is 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.

**TOKAI PHARMACEUTICALS, INC.**

Date: August 12, 2015

By: /s/ Lee H. Kalowski
Lee H. Kalowski
Chief Financial Officer
(Principal Financial and Accounting Officer)

## EXHIBIT INDEX

| Exhibit Number | Description of Exhibit |
|---|---|
| 3.1 | Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's current report on Form 8-K (File No. 001-36620) filed on September 26, 2014) |
| 3.2 | Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's current report on Form 8-K (File No. 001-36620) filed on September 26, 2014) |
| 10.1 | Lease, executed on June 9, 2015, between the Registrant and 255 State Street LLC. Filed herewith. |
| 10.2† | Employment Letter, dated as of April 7, 2015, between the Registrant and Gerald E. Quirk. Filed herewith. |
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith. |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith. |
| 32.1* | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 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 |
| 99.1* | Press Release issued by the Registrant on August 12, 2015. Furnished herewith. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Database |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

† Indicates management contract or plan.

* This exhibit will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

**Exhibit 10.1**

**255 STATE STREET**

**BOSTON, MASSACHUSETTS**

**LEASE**

by and between

255 STATE STREET, LLC
as Landlord

and

TOKAI PHARMACEUTICALS, INC.
as Tenant

dated as of
May 29, 2015

**255 STATE STREET**

**LEASE**

**Table of Contents**

ARTICLE 1
Reference Data

1.1 Subject Referred To.

Each reference in this Lease to any of the following subjects shall be construed to incorporate the data stated for that subject in this Section 1.1.

| | |
|---|---|
| Date of this Lease: | May 29, 2015 |
| Building: | The building (the "Building") in the City of Boston being located on a parcel of land described in Exhibit A attached hereto and commonly known as 255 State Street. |
| Property: | Collectively, the Building and the land on which the Building is located. |
| Landlord: | 255 State Street, LLC, a Delaware limited liability company |
| Original Notice Address of Landlord: | c/o Pembroke Real Estate, Inc.<br>255 State Street<br>Boston, MA 02109<br>Attn: Chief Financial Officer<br><br>With a copy to:<br><br>Goulston & Storrs PC<br>400 Atlantic Avenue<br>Boston, MA 02110<br>Attn: Frank E. Litwin, Esq. |
| Tenant: | Tokai Pharmaceuticals, Inc., a Delaware corporation |
| Original Notice Address of Tenant: | Tokai Pharmaceuticals, Inc.<br>255 State Street<br>6th Floor<br>Boston, MA 02109<br>Attn: Chief Financial Officer |
| Premises: | A portion of the sixth (6th) floor of the Building, substantially as shown on the plans attached hereto as Exhibit B. |

| | |
|---|---|
| Rentable Area of the Premises: | 15,981 square feet of Rentable Area. |
| Rentable Area of the Building: | 221,033 square feet of Rentable Area. |
| Term: | The period beginning on the Commencement Date and ending on the Expiration Date, both dates inclusive. |
| Commencement Date: | January 1, 2017 |
| Expiration Date: | July 31, 2018 |
| Annual Fixed Rent Rate and Monthly Fixed Rent Rate: | |

| Period of Time: | Annual Fixed Rent Rate: | Monthly Fixed Rent Rate: |
|---|---|---|
| January 1, 2017 - July 31, 2018 | $ 839,002.50 | $ 69,916.87 |

| | |
|---|---|
| Base Operating Costs: | An amount equal to the Operating Costs payable for calendar year 2017. |
| Base Taxes: | An amount equal to the Taxes payable for fiscal year 2017, which commenced on July 1, 2016 and expires on June 30, 2017. |
| Tenant's Percentage: | 7.23%, i.e. the ratio of the Rentable Area of the Premises to the total Rentable Area of the Building. |
| Permitted Use: | First-class general business offices and no other purpose or purposes. |
| Commercial General Liability Insurance Limits: | $3,000,000.00 per occurrence<br>$5,000,000.00 general aggregate |
| Brokers: | Cushman & Wakefield of Massachusetts, Inc. and NAI Hunneman |
| Letter of Credit: | $69,916.87 |

1.2 Exhibits

The Exhibits listed in the Table of Contents and attached hereto are incorporated in this Lease by reference and are to be construed as a part of this Lease.

1.3 Definitions

For the purposes of this Lease, the following terms shall be as defined below or as defined in the Section of this Lease referenced below:

"ADA" shall mean the Americans with Disabilities Act of 1990, 42 U.S.C. §12101 et seq., as amended and modified from time-to-time, together with the regulations and guidelines promulgated thereunder.

"Additional Rent" shall mean all sums other than Fixed Rent payable by Tenant to Landlord under this Lease, including Tenant's Percentage of the Tax Excess, Tenant's Percentage of the Operating Costs Excess, late charges, overtime or excess service charges, and interest and other costs related to Tenant's failure to perform any of its obligations under this Lease.

"Annual Fixed Rent Rate" shall be as defined in Section 1.1.

"Base Operating Costs" shall be as defined in Section 1.1.

"Base Taxes" shall be as defined in Section 1.1.

"Broker" shall be the broker or brokers listed in Section 1.1.

"Building" shall be as defined in Section 1.1.

"Building Holidays" shall mean New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and such other days which are observed from time-to-time by the Commonwealth of Massachusetts, the City of Boston, the labor unions servicing the Building, and Landlord with respect to the Building.

"Capital Expenditures" shall be as defined in Section 4.2.3(d).

"Commencement Date" shall be as defined in Section 1.1.

"Condenser Water Charge" shall be as defined in Section 5.1.1.

"Construction Documents" shall be as defined in Section 3.3(a).

"Default Rate" shall mean a fluctuating interest rate per annum equal to the lesser of (a) 3% above the Prime Rate, or (b) the maximum legally permitted rate.

"Environmental Laws" shall be as defined in Section 6.2.3.

"Event of Default" shall be as defined in Article 8.

"Extension Term" shall be as defined in Section 2.3(a).

"Fair Rental Value" shall be as defined in Section 2.3(c).

"Fixed Rent" shall mean the fixed rent payable at the Annual Fixed Rent Rate and the Monthly Fixed Rent Rate, respectively.

"Force Majeure Event" shall be as defined in Section 11.5.

"Hazardous Materials" shall be as defined in Section 6.2.3.

"Hazardous Materials Activities" shall be as defined in Section 6.2.3.

"Improved Space" shall mean the Premises or the portion thereof which is improved in connection with the initial build-out of the Premises.

"Landlord" shall be as defined in Sections 1.1 and 11.4.

"Landlord Affiliate" shall mean any entity controlled by, controlling or under common control with Landlord.

"Landlord's Engineers" shall be as defined in Section 3.3(a).

"Landlord Plan Notice" shall be as defined in Section 3.3(b).

"Lease" shall mean this lease, as amended and in effect from time to time.

"Lease Year" shall mean each successive twelve (12) month period during the Term, with the first such Lease Year commencing on the Commencement Date and each successive Lease Year commencing on the next succeeding anniversary of the Commencement Date.

"Letter of Credit" shall be as defined in Section 12.1.

"Letter of Credit Amount" shall be as defined in Section 1.1.

"Monthly Fixed Rent Rate" shall be as defined in Section 1.1.

"Normal Business Hours" shall mean from 8:00 a.m. to 6:00 p.m. Monday through Friday and from 9:00 a.m. to 1:00 p.m. on Saturdays, except on Building Holidays.

"Operating Costs" shall be as defined in Section 4.2.3(b).

"Operating Costs Excess" shall be as defined in Section 4.2.3(a).

"Original Letter of Credit" shall be as defined in Section 12.1.

"Original Notice Address of Landlord" shall be as defined in Section 1.1.

"Original Notice Address of Tenant" shall be as defined in Section 1.1.

"Outside Services" shall be as defined in Section 5.3.

"Permitted Uses" shall be as defined in Section 1.1.

"Premises" shall be as defined in Section 1.1.

"Prime Rate" shall mean the prime rate published (or the highest published prime rate if more than one is published) by the Wall Street Journal (or if such publication ceases, a comparable substitute reasonably designated by Landlord).

"Property" shall be as defined in Section 1.1.

"Rent" shall be as defined in Section 4.1(a).

"Rentable Area" shall mean with regard to any area, the rentable area thereof as determined by Landlord from time-to-time.

"Rentable Area of the Premises" shall be as defined in Section 1.1.

"Rules and Regulations" shall be as defined in Section 6.1.10.

"Security Proceeds" shall be as defined in Section 12.5.

"Specialty Alterations" shall mean Alterations which are not standard office installations such as kitchens, executive bathrooms, raised computer floors, computer room installations, supplemental HVAC equipment, safe deposit boxes, vaults, libraries or file rooms requiring reinforcement of floors, internal staircases, slab penetrations, conveyors, dumbwaiters, print rooms and model shops, and other Alterations of a similar character.

"Successor Landlord" shall be as defined in Section 9.1(b).

"Tax Excess" shall be as defined in Section 4.2.1(a).

"Taxes" shall be as defined in Section 4.2.1(d).

"Tax Year" shall mean any calendar year all or part of which occurs during the term.

"Tenant" shall be as defined in Section 1.1.

"Tenant's Architect" shall be as defined in Section 3.3(a).

"Tenant's Percentage" shall be as defined in Section 1.1.

"Tenant's Work" shall be as defined in Section 3.1.

"Term" shall be as defined in Section 1.1.

ARTICLE 2
Premises and Term

2.1 Premises.

(a) Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, for the Term, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease, the Premises. Not included in the Premises are the roof, exterior walls, the common stairways, stairwells, elevators and elevator shafts, and pipes, ducts, conduits, wires, and appurtenant fixtures serving exclusively or in common other parts of the Building, and if the Premises consist of less than the entire rentable area of any floor, the central core area of such floor, if any.

(b) Tenant shall have, as an appurtenance to the Premises, rights to use in common with others, subject to reasonable rules and regulations established from time-to-time by Landlord of which Tenant is given notice: (1) the common lobbies, hallways, stairways, loading docks and bays, and elevators of the Building; (2) common walkways necessary for access to the Building; and (3) if the Premises consist of less than the entire rentable area of any floor, the common toilets and other common facilities in the central core area of such floor.

(c) Landlord reserves the right from time-to-time the following rights: (1) to install, use, maintain, repair, replace and relocate for service to the Premises and/or other parts of the Building the areas within the Premises above the dropped ceiling and below the floor for pipes, ducts, conduits, wires and appurtenant fixtures, (2) to alter or relocate any other common facility, (3) to make any repairs and replacements to the Premises which Landlord is obligated to perform, and (4) in connection with any excavation made upon adjacent land of Landlord or others, to enter and to permit others to enter, upon the Premises to do such work as the person causing such excavation deems necessary to preserve the walls of the Building from injury or damage and to support the same.

(d) In connection with the exercise of the foregoing rights of access (excepting routine access such as access for providing cleaning, repair or maintenance services, or other usual and customary services) Landlord shall provide Tenant notice pursuant to Section 6.1.6 and exercise reasonable efforts (i) to minimize interference with the usual and customary operations of the Tenant in the Premises in accordance with the provisions of this Lease, and (ii) to cause any construction work performed in the Premises to be performed in a workmanlike manner.

(e) As an appurtenance to the Premises, during the term, subject to the provisions of this Section 2.1(e), Tenant shall receive four (4) parking passes for use in the Boston Harbor Garage. Tenant will pay to Landlord, as Additional Rent, the rate established by the operator of the Boston Harbor Garage from time to time for such parking passes. Notwithstanding the foregoing, if at any time during the Term such parking passes are not available in the Boston Harbor Garage, then in lieu thereof Landlord shall provide Tenant with four (4) parking passes for use at a comparable parking garage located within a four (4) block radius of the Building, and Tenant will pay to Landlord, as Additional Rent, the rate established by the operator of such garage from time to time for such parking passes.

(f) Tenant shall have, as an appurtenance to the Premises, subject to reasonable rules and regulations established from time-to-time by Landlord and notice of which is provided to Tenant, the right to install, operate, and maintain an antenna, satellite dish or similar telecommunication equipment on the roof of the Building, together with lines and cables connecting such equipment in the existing risers of the Building (collectively, the "Rooftop Equipment"). All Rooftop Equipment (including, the size, location, weight and manner of attachment thereof) and any penetrations of, or changes, alterations or other improvements on or to the roof of the Building, shall be subject to the prior approval of Landlord in each instance, such approval not to be unreasonably withheld. Tenant shall be solely and exclusively responsible for all costs, expenses and charges, of every kind, of installing, operating, maintaining, repairing, replacing, and removing the Rooftop Equipment and Landlord shall have no liability or obligation in connection therewith. If, in the reasonable judgment of Landlord, any electrical, electromagnetic, radio frequency or other interference shall result from the operation of any of the Rooftop Equipment, and such interference has not been corrected to the reasonable satisfaction of Landlord within thirty (30) days after notice thereof to Tenant (which notice shall be accompanied by a reasonably detailed technical analysis as to the basis of Landlord's judgment), then Landlord may require that Tenant immediately remove from the specific item of equipment causing such interference. Tenant shall, at its sole cost and expense, and at its sole risk, install, operate and maintain the Rooftop Equipment in a good and workmanlike manner, and in compliance with all electric, communication, and safety codes, ordinances, standards, regulations and requirements, now in effect or hereafter promulgated, including those established by the Federal Communications Commission (the "FCC"), the Federal Aviation Administration ("FAA") or any successor agency of either the FCC or FAA, the City of Boston, and the rules and regulations adopted in FCC document OET 65 (which rules and regulations have also been adopted by OSHA). Landlord shall not be liable to Tenant for any stoppages or shortages of electrical power furnished to the Rooftop Equipment or to the roof area as a result of any act, omission or requirement of the public utility serving the Building, or the act or omission of any other tenant, invitee or licensee or their respective agents, employees or contractors, or for any other Force Majeure Event. Neither Landlord nor its agents shall have any responsibility or liability for the conduct or safety of any of Tenant's representatives, repair, maintenance and engineering personnel while in or on any part of the roof area. Tenant shall have no right of access to the roof of the Building unless Tenant has given Landlord reasonable advance notice and unless Tenant's representatives are accompanied by a representative of Landlord. Landlord will make a representative available to Tenant (i) during Ordinary Business Hours upon reasonable advance notice and (ii) during emergencies, as soon as practicable (taking into account the circumstances) after receipt of a request from Tenant. At the expiration or prior termination of this Lease, Tenant shall remove all of the Rooftop Equipment (including all cables and conduits

installed in connection therewith) and shall be responsible for the cost of repairing any damage to the Building caused by the installation or the removal of the Rooftop Equipment. Landlord shall have the right, upon thirty (30) days notice to Tenant, relocate the Rooftop Equipment to another area on the roof of the Building equally suitable for Tenant's use. In such event, Landlord may, at its sole cost and expense, relocate the Rooftop Equipment.

2.2 Term. The Term shall begin on the Commencement Date and shall continue to the Expiration Date, unless sooner terminated as hereinafter provided. Without limiting the effectiveness of such dates, upon request of either party, Landlord and Tenant shall execute and deliver a Commencement Date Agreement, in the form attached hereto as Exhibit C, confirming the Commencement Date and the Expiration Date.

## ARTICLE 3
## Condition of Premises; Tenant's Work

3.1 Condition of Premises. Landlord shall deliver possession of the Premises to Tenant on the Commencement Date free of all tenants and occupants and otherwise in compliance with this Lease. Tenant has inspected the Premises and agrees (a) to accept possession of the Premises in the condition existing as of the Commencement Date, in "as is" condition, (b) that neither Landlord nor any of Landlord's agents have made any representations or warranties with respect to the Premises or the Building, and (c) Landlord has no obligation to perform any work, supply any materials, incur any expense or make any alterations, additions or improvements to the Premises to prepare the Premises for Tenant's use and occupancy. Tenant shall, at its own cost and expense, in accordance with and subject to the terms and provisions of this Lease, perform or cause to be performed any and all work necessary to prepare the Premises for Tenant's initial occupancy ("Tenant's Work"). The Building is equipped with telecommunications systems for RCN and Verizon. Landlord shall provide Tenant and/or Tenant's telecommunications companies with the access to the existing conduits and chases of the Building for the installation and operation of Tenant's telecommunication systems, including but not limited to voice, video, data and other telecommunications services; provided, however, that any such access, installation and operation shall be subject to Landlord's prior approval in each case, which approval will not be unreasonably withheld, conditioned or delayed. Tenant's occupancy of any part of the Premises shall be conclusive evidence, that Tenant has accepted possession of the Premises in its then-current condition, and that at the time such possession was taken, the Premises and the Building were in a good and satisfactory condition as required by this Lease.

3.2 Landlord's Work. [Intentionally Deleted]

3.3 Plans and Specifications. (a) If Tenant elects, in its sole discretion, to perform any Tenant's Work, then Tenant shall prepare, at the sole cost and expense of Tenant, and furnish to Landlord for its approval, architectural, mechanical,

electrical, plumbing, fire protection and structural engineering schematic design documents, design development documents and final construction documents for the Tenant's Work (such documentation and the constituent items thereof are referred to herein collectively and respectively as the "Proposed Documents"; and the Proposed Documents, after approval by Landlord are referred to herein as the "Construction Documents"). Tenant will submit to Landlord and Landlord's architect (i) four (4) sets of paper versions of the Construction Documents, and (ii) electronic versions of the Construction Documents in AutoCad (dwg) format prepared by Tenant's Architect. The Tenant's Work shall be performed in accordance with the Construction Documents and the "Standard Tenant Fit-Out Specifications for 255 State Street" attached hereto as Exhibit F and incorporated herein by this reference (as the same may be updated, amended, modified and supplemented by Landlord from time-to-time, the "Standard Tenant Fit-Out Specifications"). There shall be no requirement for Tenant to use any particular building standard materials or items; however, the Tenant's Work shall be first-class in all respects and shall be consistent with and complementary to the first-class standards of the Building. Tenant shall cause Tenant's Architect to perform all architectural services typically and reasonably required under typical construction contracts for similar leasehold improvements. Such services shall include, without limitation, all certifications typically and reasonably required to be provided by the architect for similar leasehold improvements. Tenant shall be solely responsible for the cost of all architectural and engineering services required for the Tenant's Work. The Construction Documents for Tenant's Work shall comply with all applicable laws, ordinances and regulations (including, without limitation, the applicable requirements of the Americans with Disabilities Act of 1990, as amended from time to time, and the regulations promulgated thereunder (collectively, the "ADA")) and shall be in a form satisfactory to appropriate governmental authorities responsible for issuing the permits, approvals and licenses required for construction of Tenant's Work. Tenant's interior furnishings (i.e., specifications, coordination, supply and installation of furniture, furnishings, telephone and moveable equipment and security systems and equipment) will be the responsibility of Tenant. Tenant will be responsible for obtaining all permits and approvals for the Tenant's Work, including, without limitation, a building permit and all applicable electrical and plumbing permits from the City of Boston Department of Inspectional Services.

(b) All requests for amendments, changes, change orders, or alterations to the Construction Documents (each, a "Change Order") shall require Landlord's approval, which approval shall not be unreasonably withheld or conditioned and shall be given within the timeframe set forth below (it being understood that any denial shall state Landlord's objections with specificity so that they may be addressed by Tenant). Landlord's approval process for a requested Change Order will also include review of Tenant's fire protection design by Factory Mutual Global representing Landlord's insurance underwriter. Landlord will give Tenant notice (a "Landlord Plan Notice") of any objections it may have with respect to any requested Change Order within five (5) business days after receipt by Landlord and Landlord's Architect of four (4) sets of paper versions of the

applicable Construction Documents affected by such Change Order and an electronic version of such Construction Documents. Landlord shall not be deemed unreasonable for withholding approval of any such Change Order which (i) involve or are reasonably anticipated to affect any structural or exterior element of the Building or any portion thereof, (ii) are anticipated to, in Landlord's reasonable opinion, materially adversely affect the value of the Building or any portion thereof, (iii) are reasonably anticipated to materially adversely affect the proper functioning of the building systems or other facilities, (iv) will materially increase the cost of construction or insurance on the Building or any portion thereof, or may materially increase the Operating Costs or Taxes, or (v) do not incorporate any changes requested by Factory Mutual Global and contained in the Landlord Plan Notice. Concurrently with its review of proposed Change Orders, Landlord will notify Tenant as to which of the proposed installations and improvements shown on the applicable Change Order constitute Specialty Alterations (as defined in Section 1.3) which Tenant will be required to remove at the expiration of the Term.

(c) Tenant shall cause the Change Order and any affected Construction Documents to be revised in a manner sufficient to remedy Landlord's objections and/or respond to Landlord's concerns and to be redelivered to Landlord as soon as reasonably possible after Tenant is given a Landlord Plan Notice. Tenant shall exercise diligent efforts to revise the applicable Construction Documents to address the objections contained in each Landlord Plan Notice.

(d) Landlord's approval of any plans and specifications with respect to Tenant's Work furnished to and approved by Landlord, or of any changes thereto, shall in no way be deemed an agreement by Landlord that the work contemplated therein fulfills the requirements of Section 3.3(a) hereof. Tenant shall be responsible for the design of the Tenant's Work.

3.4 Performance of TIW; Tenant's Contractor. Tenant agrees to employ for the Tenant's Work a responsible general contractor approved by Landlord, which general contractor shall (1) employ and hire subcontractors who employ union labor to do all union trade work, (2) employ and hire subcontractors who employ labor which will work without interference with other labor working in the Building for any work that is not union trade work, and (3) obtain and maintain the insurance required by Section 6.2.5 of this Lease. Tenant shall submit certificates evidencing such insurance coverage to Landlord prior to the commencement of the Tenant's Work. Tenant shall obtain all necessary governmental licenses, approvals and permits therefor and deliver to Landlord the statements and insurance certificates required hereunder and under 6.2.5 of this Lease on or before the commencement of the Tenant's Work. Promptly thereafter (subject to delays to the extent caused by Force Majeure Events, provided that tenant uses diligent efforts to minimize the duration and extent of the affect of such Force Majeure Event), Tenant shall commence and diligently prosecute to completion the Tenant's Work in accordance with the Construction Documents in a good and workmanlike manner employing materials of good quality and in

compliance with all applicable zoning, building, fire, health and other codes, regulations, ordinances and laws. Tenant shall be responsible for all costs and expenses of performing Tenant's Work. The Tenant's Work shall otherwise be performed in accordance with the applicable provisions of this Lease, including, without limitation, the provisions of Section 6.2.5; provided, however, in the event of any conflict or inconsistency between the provisions of this Section 3.4 and Section 6.2.5 of this Lease the terms of this Section 3.4 shall govern and control. Tenant shall provide a project manager who will be the point of contact with Landlord's Project Manager for all matters dealing with the design and construction of the Tenant's Work. Landlord hereby designates Tom Walsh as "Landlord's Project Manager."

3.5 Mechanic's Liens. Tenant hereby indemnifies and holds harmless Landlord from and against any liabilities and/or obligations for any and all liens or encumbrances filed against the Property or any part thereof or interest therein arising out of or resulting from the Tenant's Work or any other work performed by Tenant under this Lease. Tenant, at its expense, shall procure the discharge of all such liens and encumbrances within ten (10) days after the filing of any such lien or encumbrance against the Premises and/or the Property or any part thereof. If Tenant shall fail to cause any such lien or encumbrance to be discharged within such ten (10) day period, then, in addition to any other right or remedy, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by deposit or bonding proceedings, and in any such event Landlord shall be entitled, if it elects, to compel the prosecution of an action for the foreclosure of such lien and to pay the amount of the judgment in favor of the lien with interest, costs and allowances. Without limiting the foregoing, any amount so paid by Landlord, and all costs and expenses incurred by Landlord in connection therewith, shall constitute Additional Rent under this Lease and shall be paid by Tenant to Landlord on demand.

## ARTICLE 4
## Rent

4.1 Payment of Rent: Fixed Rent. (a) Tenant covenants and agrees to pay to Landlord, without notice or demand and without abatement, offset, deduction or counterclaim, at the Original Address of Landlord, or at such other place or to such other person or entity as Landlord may from time-to-time direct in writing: (i) Fixed Rent at the Annual Fixed Rent Rate, in equal monthly installments at the Monthly Fixed Rent Rate (which is 1/12th of the Annual Fixed Rent Rate), (and for any portion of a calendar month following the Commencement Date or at the end of the Term, at that rate prorated on a daily basis payable for such portion), in advance, on the first day of each calendar month during the Term, commencing on the Commencement Date; and (ii) Additional Rent, in the amounts, at the times and in the manner set forth in this Lease. The Fixed Rent and Additional Rent payable hereunder sometimes are referred to in this Lease collectively as the "Rent."

(b) If Landlord shall give notice to Tenant that all Rent and other payments due hereunder are to be made to Landlord by electronic funds transfers or by similar means, then Tenant shall make all such payments as shall be due after receipt of such notice by means of such electronic funds transfers or such similar means as designated by Landlord.

4.2 Additional Rent. Tenant covenants and agrees to pay the following, as Additional Rent:

4.2.1 Real Estate Taxes. (a) If for any Tax Year during the Term the Taxes exceed Base Taxes then Tenant shall reimburse Landlord, as Additional Rent, for Tenant's Percentage of such excess. The Additional Rent payable by Tenant under the preceding two sentences is referred to herein collectively as the "Tax Excess." Tenant shall remit to Landlord, on the first day of each calendar month, estimated payments on account of Tax Excess, such monthly amounts to be sufficient to provide Landlord, by the time real estate tax payments are due and payable to any governmental authority responsible for collection of same, a sum equal to the Tax Excess, as reasonably estimated by Landlord from time-to-time on the basis of the most recent tax data available. If the total of such monthly payments for any Tax Year is greater than the actual Tax Excess for such Tax Year, then promptly after the expiration of such Tax Year and the determination of the actual amount of Tax Excess for such Tax Year, Landlord shall pay to Tenant, or credit against the next accruing payments to be made by Tenant pursuant to this subsection 4.2.1, the difference; if the total of such payments is less than the actual Tax Excess for such Tax Year, then Tenant shall pay the difference to Landlord not more than ten (10) days after Landlord delivers to Tenant an itemized statement of the Tax Excess.

(b) If, after Tenant shall have made reimbursement to Landlord pursuant to this subsection 4.2.1, Landlord shall receive a refund of any portion of Taxes paid by Tenant with respect to any Tax Year during the Term hereof, whether as a result of an abatement of such Taxes by legal proceedings, settlement or otherwise (without Landlord having any obligation to undertake any such proceedings), Landlord shall promptly pay to Tenant, or credit against the next accruing payments to be made by Tenant pursuant to this subsection 4.2.1, the Tenant's Percentage of the refund (less the proportional pro rata expenses, including, without limitation, attorneys' fees and appraisers' fees, incurred in connection with obtaining any such refund.

(c) If the Term of this Lease shall commence, or shall end (by reason of expiration of the Term or earlier termination pursuant to the provisions hereof), on any date other than the first or last day of the Tax Year, or should the Tax Year or period of assessment of real estate taxes be changed or be more or less than one (1) year, as the case may be, then the amount of Tax Excess payable by Tenant for such year shall be appropriately apportioned on the basis of daily prorations and adjusted accordingly.

(d) The term "Taxes" shall mean all ad valorem real estate and personal property taxes, assessments, betterments and other charges and impositions (including, but not limited to, fire protection service fees and similar charges) levied, assessed or imposed at any time and from time-to-time during the Term by any governmental authority upon or against the Property and/or any part thereof, or taxes in lieu thereof, and in the case of personal property taxes, those taxes payable with respect to personal property located at and used in connection with the maintenance and operation of the Property. "Taxes" shall also include all taxes and payments assessed, levied, imposed or otherwise payable in lieu of the foregoing, all costs and expenses (including reasonable attorneys fees) incurred in contesting any of the foregoing, and all other additional types of taxes assessments, levies, impositions, fees and charges however described or imposed upon the Property and/or the Landlord with respect to the Property. If, at any time during the term of this Lease, any tax or excise on rents or other taxes, however described, are levied or assessed against Landlord with respect to the Rent reserved hereunder and/or the ownership of the Property, either wholly or partially in substitution for, or in addition to, ad valorem real estate taxes assessed or levied on the Property and/or any part thereof, such tax or excise on rents shall be included in Taxes; provided however, Taxes shall not include franchise, estate, inheritance, succession, capital levy, transfer, net income or excess profits taxes assessed on Landlord. Taxes shall include any estimated payment made by Landlord on account of a fiscal tax period for which the actual and final amount of taxes for such period has not been determined by the governmental authority as of the date of any such estimated payment.

4.2.2 Personal Property Taxes. Tenant shall pay all taxes, assessments, betterments and other charges and impositions charged, assessed or imposed upon the personal property, fixtures and equipment of Tenant in or upon the Premises prior to the due date thereof.

4.2.3 Operating Costs. (a) If for any calendar year during the Term the Operating Costs exceed the Base Operating Costs, then Tenant shall reimburse Landlord, as Additional Rent, for Tenant's Percentage of such excess (such amount being hereinafter referred to as the "Operating Costs Excess"). Tenant shall remit to Landlord, on the first day of each calendar month, estimated payments on account of Operating Costs Excess, in monthly amounts reasonably estimated by Landlord from time-to-time to be sufficient to provide Landlord, by the end of the calendar year, a sum equal to the Operating Costs Excess for such calendar year. If, at the expiration of any respective calendar year the total of such monthly payments made by Tenant is greater than the actual Operating Costs Excess for such year, then promptly after the expiration of such calendar year and the determination of the actual amount of Operating Costs Excess, Landlord shall pay to Tenant or credit against the next accruing payments to be made by Tenant pursuant to this subsection 4.2.3, the difference; if the total of such payments is less than the Operating Costs Excess for such year, then Tenant shall pay the difference to Landlord within not more than thirty (30) days after the date Landlord furnishes to Tenant an itemized statement of the Operating Costs Excess. Landlord shall

deliver the annual statement of actual Operating Costs Excess not later than one hundred eighty (180) days after the expiration of the respective calendar year. Any reimbursement for Operating Costs due and payable by Tenant with respect to periods of less than twelve (12) months shall be equitably prorated.

(b) The term "Operating Costs" shall mean all costs or expenses of every kind and nature paid or incurred by Landlord in connection with the operation, cleaning, management, maintenance, repair and upkeep of the Property, including, without limitation, all costs of maintaining and repairing the Property (including snow removal, security, operation and repair of heating and air-conditioning equipment, elevators, lighting and any other building equipment or systems) and of all repairs and replacements (other than repairs or replacements for which Landlord has received full reimbursement from contractors, other tenants of the Building or from others) required or desirable in order to keep the Property in good working order, repair, appearance and condition; all costs, including material and equipment costs, for cleaning and janitorial services to the Building (including window cleaning of the Building); all premiums and costs of insurance carried by Landlord relating to the Property; all costs related to provision of heat (including oil, electric, steam and/or gas), air-conditioning, ventilation, and water (including sewer charges) and other utilities to the Building (exclusive of reimbursement to Landlord for any of same received as a result of direct billing to any tenant); payments under all service contracts relating to the foregoing; all compensation, fringe benefits, payroll taxes and worker's compensation insurance premiums related thereto with respect to any employees (but not above the grade of general manager) of Landlord or its affiliates or manager engaged in security and maintenance of the Property; attorneys' fees and disbursements (exclusive of any such fees and disbursements incurred in tax abatement proceedings or the preparation of leases or disputes with tenants) and auditing and other professional fees and expenses; shuttle services; management fees not in excess of 3% of gross rent receipts for the Building for the applicable year; fire protection service fees and similar governmental charges not included in Taxes; and the portion fairly allocable to the Property of any and all of the foregoing costs incurred with regard to the operation, maintenance and repair of any facilities shared by the Property with any other properties.

(c) There shall not be included in such Operating Costs the following: (1) brokerage fees (including rental fees) related to the operation of the Building; (2) interest and depreciation charges incurred on the Property; (3) expenditures made by Tenant with respect to (a) cleaning, maintenance and upkeep of the Premises, or (b) the provision of electricity to the Premises; (4) any ground lease rent; (5) costs of leasing space, including advertising and leasing commissions; (6) costs of services provided by affiliates of Landlord (other than the management fees set forth above) to the extent such costs exceed market competitive costs for such services for owner managed buildings; (7) Capital Expenditures (as hereinafter defined) which are required in order to cause the Building to comply with Requirements that are effective and applied to the Building (whether through adoption, promulgation, application, interpretation or otherwise) as of the date of

this Lease and rent for items which if purchased, rather than rented, would not be includable in Operating Expenses pursuant to Section 4.2.3(d); (8) bad debt expenses and payments of principal, interest or mortgage charges, or other costs of financing or refinancing or brokerage commissions, or the costs of selling, syndicating, financing, mortgaging or hypothecating Landlord's interest in the Property, or the costs of defending any lawsuits with mortgagees; (9) the cost of repairs or other work caused by any insured casualty or the exercise of the right of eminent domain, to the extent the Landlord is reimbursed by insurance awards, rebates or condemnation proceeds; (10) leasing commissions, brokerage fees, legal fees, advertising costs and disbursements and other expenses incurred in connection with negotiations or disputes with other tenants or occupants, or prospective tenants or occupants; (11) the costs of renovating or otherwise improving, decorating, painting or redecorating premises for other tenants or other occupants of the Building; (12) any fines or penalties incurred by Landlord as a result of a violation by Landlord of applicable laws or governmental rule or authority; (13) costs of installing sculpture, paintings or other objects of art in common areas, except to the extent required to maintain the Building in first-class condition; (14) wages, salaries or other compensation paid to any executive employees above the grade of general manager, except that if any such employee performs a service which would have been performed by an outside consultant, the compensation paid to such employee for performing such service shall be included in Operating Costs; (15) costs or fees relating to the defense of the title or interest of Landlord in the Property; (16) income, excess profits, franchise taxes or other taxes assessed on the income of the Landlord from the Property; (17) costs of maintaining the legal entity constituting the Landlord; (18) costs of the charitable or political contributions of the Landlord; (19) costs incurred by Landlord to the extent that Landlord is reimbursed by third parties; (20) third-party management fees in excess of the percentage set forth in Section 4.2.3(b) and management fees paid or charged by affiliates of Landlord in excess of 3% of gross rent receipts; or (21) fines, penalties or interest to the extent caused by the negligence or willful misconduct of Landlord or its agents or employees.

(d) If, during the Term of this Lease, Landlord shall replace any capital items or make any capital expenditures for the Property (collectively, "Capital Expenditures"), then the "annual charge-off" of such Capital Expenditure shall be included in Operating Costs for each calendar year in which such Capital Expenditure is made, and for each subsequent calendar year only if (i) the Capital Expenditure is reasonably intended to effect savings in Operating Costs, or (ii) is made to comply with a Requirement which becomes effective (whether through adoption, promulgation, application, interpretation, or otherwise) after the date of this Lease. The "annual charge-off" shall be determined by (i) dividing the original cost of the Capital Expenditure by the number of years of useful life thereof (which useful life shall be determined by Landlord in accordance with generally accepted accounting principles and practices in effect at the time of acquisition of the capital item or making of a capital expenditure); and (ii) adding to such quotient an interest factor computed on the unamortized balance of such Capital Expenditure based upon an interest rate reasonably determined by

Landlord as being the interest rate then being charged for long-term mortgages by institutional lenders on similar properties within the locality in which the Building is located; provided, however, if Landlord reasonably concludes on the basis of engineering estimates that such Capital Expenditure will effect savings in Operating Costs and that such annual projected savings will exceed the annual charge-off of such Capital Expenditure computed as aforesaid, then the annual charge-off shall be determined by (i) dividing the original cost of such Capital Expenditure by the number of years over which the projected amount of such savings shall fully amortize the cost of such Capital Expenditure; and (ii) by adding the interest factor, as aforesaid.

(e) If during all or any portion of any year for which Operating Costs are being computed, less than 95% of the rentable area of the Building is occupied by tenants, or Landlord does not furnish any particular item(s) of work or service (which would otherwise constitute an Operating Cost) to any leasable areas of the Building, then for purposes of calculating Operating Costs for such year, the actual Operating Costs incurred for such year or portion thereof shall be reasonably extrapolated by Landlord to be the estimated Operating Costs that would have been incurred if 95% of the rentable area of the Building had been occupied by tenants and such item(s) of work and services were being supplied to tenants occupying 95% of the rentable area of the Building, and for the purposes of this Section 4.2.3, such extrapolated amount shall be deemed to be the Operating Costs for such year or portion thereof.

(f) Each statement of Operating Costs delivered to Tenant shall constitute an account stated between Landlord and Tenant and shall be conclusively binding upon Tenant, unless Tenant (i) pays to Landlord when due the amount set forth in such statement, without prejudice to Tenant's right to dispute such statement, and (ii) within one hundred eighty (180) days after such statement is sent, sends a written notice to Landlord objecting to such statement and specifying the reasons therefor, in which event, upon request, Tenant may, at its sole cost and expense, audit the books and records pertaining to the Operating Costs for the subject year. Said audit shall be performed either (i) at a mutually satisfactory time at Landlord's offices in Boston, Massachusetts, or (ii) after physical or electronic delivery to Tenant of the relevant documents. Tenant agrees that Tenant will not employ, in connection with any such audit or any dispute under this Lease, any person or entity who is to be compensated in whole or in part, on a contingency fee basis. In connection with any such audit, Tenant, such accountants and all consultants and agents of Tenant shall keep all information confidential and shall execute and deliver to Landlord a commercially reasonable and mutually acceptable confidentiality agreement, whereby such parties agree not to disclose to any third party any of the information obtained in connection with such audit. Tenant shall pay the fees and expenses relating to such audit, unless it is conclusively determined that Landlord overstated Operating Costs by more than 5% for such year, in which event Landlord shall reimburse Tenant for the reasonable out-of-pocket costs incurred by Tenant in such audit.

4.2.4 Insurance. Tenant shall, at its cost and expense, obtain and maintain throughout the Term, the following insurance protecting Landlord and all Landlord Affiliates, as requested by Landlord from time-to-time:

4.2.4.1 Commercial general liability insurance, in the broadest and most comprehensive form generally available from time-to-time, naming Tenant as insured, and Landlord, Landlord's managing agent, the Landlord Affiliates (of which Tenant has been given notice), and any mortgagee of which Tenant has been given notice as additional insureds, and indemnifying the parties so named on an occurrence basis against all claims and demands for death or any injury to persons or damage to property which may be claimed to have occurred on the Premises (or the Property, insofar as used by customers, employees, servants or invitees of the Tenant), in amounts which shall, at the beginning of the Term, be at least equal to the limits set forth in Section 1.1, and, which, from time to time during the Term, shall be for such higher limits, if any, as Landlord determines in its reasonable discretion as are customarily carried in the area in which the Premises are located on property similar to the Premises and used for similar purposes.

4.2.4.2 Insurance against loss or damage by fire, and such other risks and hazards as are insurable under then available standard forms of "all risk" property insurance policies with extended coverage, insuring all of Tenant's furniture, furnishings, fixtures, and equipment, for the full insurable value thereof or replacement cost value thereof, having a deductible amount, if any, of not greater than $25,000.00 per annum;

4.2.4.3 During the performance of any Alterations (including the Tenant's Work), until completion thereof, builder's risk insurance on an "all risk" basis and on a completed value form, for full replacement value covering the interests of Landlord and Tenant (and their respective contractors and subcontractors), any superior mortgagee and any superior lessor in all work incorporated in the Building and all materials and equipment in or about the Premises;

4.2.4.4 Workers' compensation insurance, in amounts and with coverages as required by law;

4.2.4.5 Business interruption insurance, which may be included within a blanket limit covering multiple office locations including the Premises, in commercially reasonable amounts; and

4.2.4.6 Such other insurance, in such amounts and with such coverages as Landlord may reasonably require from time to time, provided that such coverages are consistent with coverages then customarily being required by other landlords of comparable buildings in Boston, Massachusetts.

4.2.4.7 All such policies shall be obtained from insurance companies with A.M. Best ratings of "A-" or better, Class VIII or larger, and with S&P ratings of "AA" or better. All such insurance companies shall be qualified to do business and in good standing in the Commonwealth of Massachusetts. All such insurance companies and the amount of insurance allocated thereto shall be subject to Landlord's approval, which approval shall not be unreasonably withheld. Tenant agrees to furnish Landlord with certificates evidencing all such insurance prior to the beginning of the Term hereof and evidencing renewal thereof at least thirty (30) days prior to the expiration of any such policy. Each such policy shall be non-cancelable with respect to the interest of Landlord without at least ten (10) days prior written notice thereto. In the event provision for any such insurance is to be by a blanket insurance policy, the policy shall allocate a specific and sufficient amount of coverage to the Premises.

4.2.4.8 All insurance which is carried by either party with respect to the Building, the Premises or furniture, furnishings, fixtures, or equipment therein or alterations or improvements thereto, whether or not required, shall include provisions which either designate the other party as one of the insured or deny to the insurer acquisition by subrogation of rights of recovery against the other party to the extent such rights have been waived by the insured party prior to occurrence of loss or injury. In the event that extra premium is payable by either party as a result of this provision, the other party shall reimburse the party paying such premium the amount of such extra premium. If at the request of one party, this non-subrogation provision is waived, then the obligation of reimbursement shall cease for such period of time as such waiver shall be effective, but nothing contained in this subsection shall derogate from or otherwise affect releases elsewhere herein contained of either party for claims. Each party shall be entitled to have certificates of any policies containing such provisions. Each party hereby waives all rights of recovery against the other for loss or injury against which the waiving party is protected by insurance containing such provisions, reserving, however, any rights with respect to any excess of loss or injury over the amount covered by such insurance. Tenant shall not acquire as insured under any insurance carried by or on behalf of the Landlord with respect to the Premises any right to participate in the adjustment of loss or to receive insurance proceeds and agrees upon request promptly to endorse and deliver to Landlord any checks or other instruments in payment of loss in which Tenant is named as payee.

4.2.5 Utilities. Tenant shall pay to Landlord, as Additional Rent, the Condenser Water Charge for condenser water supplied by Landlord pursuant to Section 5.1.1, the Overtime HVAC Charge for the Overtime HVAC service provided by Landlord pursuant to Section 5.1.2, and all charges for electricity supplied by Landlord to the Premises, if any (which may include electricity for ventilation and cooling, including reheat coils, fan boxes, compressors and refrigerating units serving the Premises). Tenant shall also pay, to the appropriate third party, all charges for

telephone and other utilities or services not supplied by Landlord pursuant to Sections 5.1, whether designated as a charge, tax, assessment, fee or otherwise, all such charges to be paid as the same from time to time become due. Except as otherwise provided in Article 5, it is understood and agreed that Tenant shall make its own arrangements for the installation or provision of all such utilities and that Landlord shall be under no obligation to furnish any utilities to the Premises and shall not be liable for any interruption or failure in the supply of any such utilities to the Premises.

4.3 Late Payment of Rent. If Tenant shall fail to pay any installment of Rent more than two (2) days after the date that such Rent was due, and if on a prior occasion in the twelve (12) month period immediately preceding such date Tenant also failed to pay any installment of Rent more than two (2) days after the date that such Rent was due, then in addition to the outstanding amounts, Tenant shall pay Landlord a late payment fee equal to 5% percent of the overdue payment.

## ARTICLE 5
## Landlord's Covenants

5.1 Affirmative Covenants. Landlord covenants with Tenant:

5.1.1 Condenser Water. To furnish condenser water and a condenser water connection to the heat pump and related equipment currently installed by Tenant in the Premises. Tenant shall pay to Landlord the "Condenser Water Charge." The "Condenser Water Charge" is currently $650.00 per ton per annum and is subject to increase by Landlord from time to time.

5.1.2 Overtime HVAC. To furnish heating, ventilation and cooling services both during Normal Business Hours and upon notice from Tenant as provided below, at times other than during Normal Business Hours ("Overtime HVAC Services"). For Overtime HVAC Services Tenant shall pay to Landlord the "Overtime HVAC Charge." The "Overtime HVAC Charge" is currently $80.00 per hour per floor and is subject to increase by Landlord from time to time. Overtime HVAC Services shall be provided for a minimum of two (2) hours and Tenant shall submit a request to Landlord not less than twenty four (24) hours prior to the commencement of said Overtime HVAC Services, which request may be made via telephone or email to the Building manager.

5.1.3 Electricity. To furnish electrical service to the Premises. Tenant shall contract directly with the electricity company furnishing electric service to the Building for electric service to the Premises. Landlord has installed a separate meter in the Premises to measure Tenant's consumption of electricity. Tenant shall pay all amounts payable to the utility company, on a timely basis, and in all events prior to the due date thereof. Landlord shall maintain the meter in good working order and repair. If Tenant fails to pay such charges on a timely basis, then Landlord may pay such charges directly to the utility company and Tenant shall reimburse Landlord as additional rent for all amounts expended by Landlord in connection

therewith within ten (10) days after receipt of a bill therefor. Tenant shall at all times comply with the rules and regulations of the utility company supplying electricity to the Building. Tenant shall not use any electrical equipment which, in Landlord's reasonable judgment, would exceed the capacity of the electrical equipment serving the Premises.

5.1.4 Cleaning. To provide cleaning to the Premises (excluding any portions thereof used for the storage, preparation, service or consumption of food) and the common areas of the Building substantially in accordance with the Cleaning Specifications attached hereto as Exhibit D and incorporated herein by this reference. Notwithstanding the foregoing, Tenant, at Tenant's expense, shall cause any portions of the Premises used for the storage, preparation, service or consumption of food or beverages to be cleaned daily in a manner reasonably satisfactory to Landlord, and to be treated against infestation by vermin, roaches or rodents, on a regular basis. Without limiting the foregoing, except as set forth above, in no event shall any portion of the Premises (other than a kitchenette area) be used for the storage, preparation, service or consumption of food or beverages.

5.1.5 Water. To furnish water to the Premises for ordinary cleaning, lavatory and toilet facilities.

5.1.6 Passenger Elevator Service. To furnish passenger elevator service from the lobby to the Premises.

5.1.7 Security and Access. To furnish at least one (1) attendant in the Building during Normal Business Hours, and a card access control system for access to the Building and Premises after Normal Business Hours, including, without limitation, elevator access cards if needed for elevator access to floors. Tenant understands that except as expressly set forth in this Section 5.1.7, Landlord will not provide Tenant with any security guards or alarm or security systems of any kind or nature. Notwithstanding the foregoing, in no event shall Landlord have any liability or obligation to Tenant arising from any claims for loss, injury or damage to persons or property in connection therewith. Subject to reasonable security measures and Force Majeure Events, or when precluded by casualties or eminent domain events, Tenant and its employees shall have access to the Building and Premises twenty-four (24) hours per day, seven (7) days per week, three-hundred-sixty-five (365) days per year during the Term.

5.1.8 Repairs. Except as otherwise expressly provided herein, to make such repairs and replacements to the roof, exterior walls, exterior windows, floor slabs and other structural components of the Building, and to the common areas, facilities and plumbing, electrical, heating, ventilating and air-conditioning systems of the Building (including without limitation such base building electrical, heating, ventilating and air-conditioning systems that serve the Building and the Premises) as may be necessary to keep them in good repair and condition (exclusive of equipment installed by Tenant and except for those repairs required to be made by Tenant pursuant to Section 6.1.3 hereof, and repairs or replacements occasioned by any negligence of Tenant, its servants, agents, customers, contractors, employees, invitees, or licensees).

5.1.9 Telecommunications. To permit Tenant, at its sole cost and expense, to install in a riser location (or locations) designated by Landlord in its reasonable discretion, its telecommunications lines, cables and equipment ("Tenant's Telecommunications Equipment"). Except with respect to Tenant's Telecommunications Equipment installed as part of the Tenant's Work, which shall be subject to prior approval by Landlord pursuant to Section 3.3, the capacity, size, location and dimensions of such risers and of each element of the Tenant's Telecommunications Equipment shall be subject to Landlord's approval, which approval will not be unreasonably withheld, conditioned or delayed. Tenant's Telecommunications Equipment shall be considered to be an Alteration for all purposes under this Lease, and shall comply with the provisions of Section 6.2.5 and all of the other provisions of this Lease. Tenant shall remove the Tenant's Communication Equipment upon the expiration or earlier termination of this Lease.

5.1.10 Property Insurance. To maintain throughout the Term, as the same may be extended pursuant to section 2.3 of this Lease, property insurance insuring the Building against loss or damage by fire and other perils covered under so-called "all risk," vandalism, malicious mischief coverage, boiler and machinery coverage and such other insurable hazards and contingencies as are from time to time normally insured against by owners of comparable first-class multi-tenant office buildings in the City of Boston, in an amount approximately equal to the full replacement cost thereof, including, without limitation, builder's risk coverage for the Tenant's Work (subject to such commercially reasonable deductibles as Landlord may elect from time to time). From time to time upon the reasonable request of Tenant Landlord shall deliver to Tenant certificates evidencing all such insurance. All policies of insurance maintained by Landlord shall contain the same waiver of subrogation provisions for the benefit of Tenant as Tenant is required to obtain in its insurance policies for the benefit of Landlord.

5.1.11 Representations of Landlord. Landlord represents and warrants to Tenant as follows: (i) Landlord is the fee simple and record owner of the Property and the Building, and has the full right, power and authority to execute, deliver and perform its obligations under this Lease and has obtained all consents and taken all actions necessary in connection therewith; (ii) there are no mortgages or ground leases affecting the Property and/or the Building or any portion thereof, except the mortgage granted to Bank of America, N.A.; and (iii) the person executing this Lease on behalf of Landlord is authorized to do so.

5.2 Interruption. Except as otherwise expressly provided below in this Section 5.2, Landlord shall have no responsibilities, obligations, or liabilities for any failure or interruption of any of the above-described services, or for any failure or inability to make any repairs or replacements, if such failure, interruption or inability arises out of or results from emergencies, breakage, accidents, strikes, repairs, inability

to obtain supplies, labor or materials, or any other causes beyond the reasonable control of the Landlord. Without limiting the foregoing, in no event shall Landlord ever be liable to Tenant for any lost profits, or for any indirect or consequential damages. No failure or omission on the part of the Landlord to furnish any of the services described in Section 5.1 shall be construed as an eviction of Tenant, actual or constructive, nor entitle Tenant to an abatement or reduction of, or offset against, Rent, nor render the Landlord liable in damages, nor release Tenant from prompt fulfillment of any of its obligations and covenants under this Lease.

Notwithstanding anything to the contrary contained in this Lease, if Tenant is unable despite its good faith commercially diligent efforts to use the Premises for the ordinary conduct of Tenant's business due solely to (a) an interruption of an Essential Service (as hereinafter defined) which Landlord is required to provide hereunder, or (b) Landlord's breach of an obligation under this Lease to perform repairs or replacements which results in Landlord's failure to provide an Essential Service, in each case other than as a result of casualty or condemnation and subject to the provisions of Section 11.5, and such condition continues for a period of longer than ten (10) consecutive business days after Tenant furnishes a notice to Landlord (the "Abatement Notice") identifying the condition and Essential Service which has been interrupted and stating that Tenant's inability to use the Premises is solely due to such condition, provided that (i) Tenant does not actually use or occupy the Premises during such ten (10) consecutive Business Day period, (it being understood that entry by Tenant's employees solely to retrieve files, data, laptops and other equipment shall not be deemed occupancy hereunder), and (ii) such condition has not resulted from the negligence or misconduct of Tenant or any Tenant Party, then Fixed Rent payable on account of the Premises shall be abated on a pro rata per diem basis for the period (the "Abatement Period") commencing on the eleventh (11th) Business Day after Tenant delivers the Abatement Notice to Landlord and ending on the earlier of (x) the date Tenant reoccupies the Premises, or (y) the date on which such condition is substantially remedied. "Essential Service" shall mean the following services, but only to the extent that Landlord is required to provide such services to Tenant pursuant to the terms of this Lease and if not provided the absence of such service shall materially and adversely affect the use of the Premises for the ordinary conduct of Tenant's business: HVAC service; electrical service; passenger elevator service; and water and sewer service. The foregoing rent abatement shall be the sole and exclusive remedy of Tenant on account of an interruption or lack of an Essential Service for ten (10) consecutive business days or longer after notice from Tenant as set forth in this Section 5.2, and Landlord shall have no further liabilities or obligations to Tenant on account thereof.

5.3 Outside Services. If Tenant wishes to obtain "Outside Services" for the Premises, i.e. services in addition to, or in excess of, the services to be provided by Landlord as set forth herein, then Tenant shall first obtain the prior written approval of Landlord (which approval shall not be unreasonably withheld) for the installation and/or utilization of such Outside Services. For purposes of this

Lease, "Outside Services" shall include, but shall not be limited to, cleaning services, television, so-called "canned music" services, security services, and the like. In the event Landlord approves the installation and/or utilization of such Outside Services, such installation and utilization shall be at Tenant's sole cost, risk and expense, and Landlord shall have no obligations or liabilities in connection therewith.

5.4 Discontinuance of Electrical Service. Notwithstanding any provision to the contrary contained in this Article 5, Landlord reserves the right to discontinue furnishing electricity to Tenant in the Premises on not less than sixty (60) days notice to Tenant; provided, that, either (a) Landlord discontinues furnishing electricity to tenants (including Tenant) leasing an aggregate of at least 60% of the rentable area of the Building, or (b) Landlord is required to do so by the public utility or pursuant to applicable laws, codes, regulations, or requirements. If Landlord discontinues furnishing electricity to Tenant, then this Lease shall continue in full force and effect and shall be unaffected thereby, except that from and after the effective date of such discontinuance, Landlord shall not be obligated to furnish electricity to Tenant hereunder. If Landlord so discontinues furnishing electricity, then Tenant shall arrange to obtain electricity directly from a utility company serving the Building. All equipment that may be required to obtain electricity of substantially the same quantity, quality and character shall be installed by Landlord at the sole cost and expense of (a) Landlord, if Landlord voluntarily discontinues such service, or (b) Tenant, if Landlord is compelled to discontinue such service by the public utility or pursuant to applicable laws, codes, regulations, or requirements. Landlord shall not voluntarily discontinue furnishing electricity to Tenant until Tenant is able to receive electricity directly from a utility company servicing the Building, unless the utility company is not prepared to furnish electricity to the Premises on the date required as a result of Tenant's delay or negligence in arranging for service or Tenant's refusal to provide the utility company with a deposit or other security requested by the utility company, or Tenant's refusal to take any other action reasonably requested by the utility company.

## ARTICLE 6
## Tenant's Additional Covenants

6.1 Affirmative Covenants. Tenant covenants at all times during the Term and for such additional time (prior or subsequent thereto) as Tenant occupies the Premises or any part thereof:

6.1.1 Perform Obligations. To perform promptly all of the obligations of Tenant set forth in this Lease; and to pay when due the Fixed Rent, the Additional Rent, and all other charges, rates and other sums which by the terms of this Lease are to be paid by Tenant.

6.1.2 Use. To use the Premises only for the Permitted Uses (and for no other purpose or purposes), and to obtain and maintain at all times all licenses and permits

necessary or required therefor, at Tenant's sole expense. Without limiting the foregoing, Tenant shall deliver to Landlord for its review, copies of all applications for all such licenses and permits that are issued in connection with the use and occupancy of the Premises or Alterations proposed by Tenant in or to the Premises, prior to submission thereof to the applicable governmental authorities.

6.1.3 Repair and Maintenance. To maintain the Premises in first-class, good and neat order, condition and repair; to perform all routine and ordinary repairs to the Premises and to any plumbing, heating, electrical, ventilating and air-conditioning systems located within the Premises, in order to maintain such systems in good working order, appearance and condition, in all cases reasonable use and wear thereof and damage by fire or casualty only excepted; to keep all glass in windows and doors of the Premises (except glass in the exterior windows of the Building) whole and in good condition with glass of the same quality as that injured or broken; and to make all necessary repairs to the Premises and/or the Property arising out of or resulting from misuse or damage by, or neglect or improper conduct of, Tenant or Tenant's servants, employees, agents, invitees or licensees or otherwise, damage by fire or casualty excepted. All repairs and replacements performed by Tenant shall be in quality and class equal to the original work. If Tenant fails to perform such obligations and the failure continues for thirty (30) days after delivery of prior notice to Tenant (except in the event of an emergency when such notice may be delivered concurrently), then Landlord may elect, at the expense of Tenant, to perform all such cleaning and maintenance, and to make any such repairs or to repair any damage or injury to the Premises and/or the Property caused by moving property of Tenant into or out of the Premises, or by the installation or removal of furniture or other property, or by misuse by, or neglect, or improper conduct of, Tenant or Tenant's servants, employees, agents, contractors, customers, patrons, invitees, or licensees.

6.1.4 Compliance with Law. To make all repairs, alterations, additions or replacements to the Premises required by any law, code, ordinance, order, or regulation of any public or governmental authority; to keep the Premises equipped with all safety appliances so required; and to comply with the orders and regulations of all governmental authorities with respect to zoning, building, fire, health and other codes, regulations, ordinances or laws applicable to the Premises, except that Tenant may defer compliance so long as the validity of any such law, ordinance, order or regulations shall be contested by Tenant in good faith and by appropriate legal proceedings, if Tenant first gives Landlord appropriate assurance or security against any loss, cost or expense on account thereof; provided, however, that Tenant shall not be obligated to make any structural Alterations or Alterations to the building systems unless the need for such Alterations arises out of or results from (i) the specific manner and nature of Tenant's use or occupancy of the Premises, as distinguished from general office use, (ii) Alterations made by Tenant, or (iii) a breach by Tenant of any of the provisions of this Lease. Without limiting the foregoing, within the Premises, and with respect to all means of access and egress to and from the Premises (including all entrances and doorways), Tenant shall be responsible for compliance with the ADA.

6.1.5 Indemnification. To the maximum extent permitted by law, to indemnify and hold harmless Landlord and all Landlord Affiliates, and to exonerate, indemnify and hold harmless Landlord and all Landlord Affiliates from and against any and all claims, actions, proceedings, judgments, obligations, liabilities, costs, expenses (including, without limitation, reasonable attorneys' fees), and penalties (collectively, "Claims") asserted by or on behalf of any person, firm, corporation or public authority (i) arising out of or resulting from any injury, death, damage or loss to any person or property in or upon the Premises and/or the Property (or any part thereof), which Claims arise out of or result from the use or occupancy of the Premises by Tenant or by any person claiming by, through or under Tenant (including, without limitation, all contractors, agents, patrons, employees, invitees, and customers of Tenant), or (ii) arising out of or resulting from (a) any delivery to or service supplied to the Premises other than services supplied by or on behalf of Landlord, or (b) anything whatsoever done on the Premises, excepting, in each case, only to the extent caused by the negligence or willful misconduct of Landlord, its agents, servants or employees. Without limiting the foregoing, if any action or proceeding is brought against Landlord and/or any Landlord Affiliates by reason of any such Claim, upon notice from Landlord and at Tenant's expense, Tenant shall resist or defend all such actions or proceedings and employ counsel therefor reasonably satisfactory to and approved in advance by Landlord, such approval not to be unreasonably withheld, conditioned or delayed.

6.1.6 Landlord's Right to Enter. To permit Landlord and its agents to enter into and examine the Premises at reasonable times and to make repairs to the Premises and/or the Building, and during the last fifteen (15) months of the Term, to show the Premises and/or the Building. Landlord shall provide reasonable prior notice of such entry (which notice may be verbal), except in the event of emergencies when no such prior notice shall be required but notice shall be provided to Tenant as soon as reasonably practicable following such entry. Tenant shall provide Landlord with copies of keys and a means of access to Tenant's security system as may be necessary for such entry by Landlord.

6.1.7 Personal Property at Tenant's Risk. All of the furnishings, fixtures, equipment, effects and property of every kind, nature and description of Tenant and of all persons claiming by, through or under Tenant which, during the continuance of this Lease or any occupancy of the Premises by Tenant or anyone claiming by, through or under Tenant, may be on the Premises, shall be at the sole risk and hazard of Tenant or such other person, excepting only to the extent such damage is caused by the negligence or misconduct of Landlord. If the whole or any part of such personal property shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, or by theft or from any other cause, then to the maximum extent permitted by law, Landlord shall have no liabilities or obligations as a result thereof and no

part of such loss or damage is to be charged to or to be borne by Landlord, excepting only to the extent such damage is caused by the negligence or misconduct of Landlord.

6.1.8 Payment of Landlord's Costs of Enforcement. To pay on demand all reasonable expenses (including, without limitation, reasonable attorneys' fees) incurred from time-to-time by Landlord, in enforcing any obligation of Tenant under this Lease, or in curing any breach or default by Tenant under this Lease.

6.1.9 Yield Up. (a) To yield up and surrender possession of the Premises to Landlord at the expiration of the Term or earlier termination of this Lease; to surrender all keys to the Premises; to remove all of its trade fixtures and personal property from the Premises; to remove all Tenant's Telecommunications Equipment and wires and cables installed by or on behalf of Tenant; to remove such Specialty Alterations installed in the Premises after the Date of this Lease as Landlord may request in accordance with the provisions of this Section 6.1.9 and all Tenant's signs wherever located; to repair all damage caused by such removal and to yield up the Premises (including all installations and improvements made by Tenant, except for trade fixtures and such of such installations or improvements as Landlord shall request Tenant to remove), broom-clean and in the same good order and repair in which Tenant is obliged to keep and maintain the Premises by the provisions of this Lease. Any property not so removed shall be deemed abandoned and, if Landlord so elects, deemed to be Landlord's property, and may be retained or removed and disposed of by Landlord in such manner as Landlord shall determine. Tenant shall reimburse Landlord for the entire cost and expense incurred by it in effecting the removal and disposition of property which was required to be removed by Tenant pursuant to this Lease, and in making any repairs and replacements to the Premises after surrender thereof by Tenant.

Without limiting the foregoing, concurrent with the review of the applicable Construction Documents in connection with a Change Order or, upon request of Tenant, concurrent with the review of other plans and specifications in connection with any Alterations, Landlord will notify Tenant as to which of the proposed installations and improvements constitute Specialty Alterations which Tenant will be required to remove at the expiration of the Term provided that Tenant shall include the following legend in capitalized and bold type displayed prominently on the top of the first page of Tenant's notice delivered concurrently with such plans and specifications: **"IF LANDLORD FAILS TO NOTIFY TENANT AT THE TIME LANDLORD APPROVES THESE PLANS AND SPECIFICATIONS THAT ANY ALTERATIONS SHOWN THEREON ARE SPECIALTY ALTERATIONS (AS DEFINED IN THE LEASE), LANDLORD MAY NOT REQUIRE TENANT TO REMOVE SUCH SPECIALTY ALTERATIONS AT THE END OF THE TERM OF THE LEASE."**

(b) If the Tenant remains in the Premises beyond the expiration of the Term or earlier termination of this Lease, such holding over shall be without right and

shall not be deemed to create any tenancy, but the Tenant shall be a tenant at sufferance only at the rent set forth in this Section 6.1.9(b) and otherwise upon the terms and conditions set forth in this Lease. If possession of the Premises (or any part thereof) is not surrendered to Landlord on the expiration or earlier termination of this Lease, then (i) Tenant shall pay to Landlord for each month (or any portion thereof) prior to the date on which Tenant actually surrenders possession of the Premises, a sum equal to one hundred and fifty percent (150%) of the Fixed Rent, Additional Rent, and other charges payable under this Lease as of the day immediately preceding the date of expiration or earlier termination of this Lease, and (ii) if possession of the Premises (or any part thereof) is not surrendered to Landlord by the date which is ninety (90) days after the expiration or earlier termination of this Lease, then Tenant also shall indemnify and hold harmless Landlord from and against all damages (direct, consequential, or indirect) arising out of or resulting from such holding over.

6.1.10 Rules and Regulations. To comply with the Rules and Regulations set forth in Exhibit E, and with all reasonable Rules and Regulations as may be adopted from time-to-time by Landlord (the "Rules and Regulations") and of which Tenant has received notice. Landlord agrees to enforce such Rules and Regulations in a nondiscriminatory fashion, except where differing circumstances justify different treatment; however, Landlord shall not be liable to Tenant for the failure of any other tenant(s) of the Building to comply with such Rules and Regulations. In the event of any conflict or inconsistency between the Rules and Regulations (whether included in Exhibit E or later adopted) and the terms and conditions of this Lease, the terms and conditions of this Lease shall govern and control.

6.1.11 Estoppel Certificates. Within not more than fifteen (15) days after request by Landlord, to execute, acknowledge and deliver to Landlord an estoppel certificate in writing in the form reasonably required by Landlord, certifying as to all or any of the following: (i) that this Lease is unmodified and in full force and effect (or, if there have been any modifications stating such modifications), (ii) whether the Term has commenced and Fixed Rent and Additional Rent have become payable hereunder and, if so, the dates to which they have been paid, (iii) whether or not, to Tenant's knowledge, Landlord is in default in performance of any of the terms of this Lease, and, if so, specifying such defaults, (iv) whether Tenant has accepted possession of the Premises, (v) whether Tenant has made any claim against Landlord under this Lease and, if so, the nature thereof and the dollar amount, if any, of such claim, (vi) whether Tenant claims any offsets or defenses against enforcement of any of the terms of this Lease, and, if so, setting them forth in reasonable detail, and (vii) such further information with respect to Lease and/or the Premises as Landlord may reasonably request and is customary in estoppel certificates provided to landlords, buyers and/or lenders. Any such statement delivered pursuant to this subsection 6.1.11 may be relied upon by Landlord, any prospective purchaser or mortgagee of the Premises, or any prospective assignee of such mortgage. Tenant shall also deliver to Landlord such financial information as may be reasonably required by Landlord to be provided to any mortgagee or prospective purchaser of the Property; provided,

however, Landlord shall exercise good faith reasonable efforts to keep such financial information confidential and, prior to the delivery of any of Tenant's financial information to such prospective purchasers, mortgagees or assignees of any mortgage, require such prospective purchasers, mortgagees or assignees of any mortgage to sign a commercially reasonable confidentiality agreement with respect to such confidential information.

6.1.12 Landlord's Expenses Re Consents. To reimburse Landlord promptly upon demand for all reasonable legal fees and expenses incurred by Landlord in connection with all requests made by Tenant for consents or approvals hereunder.

6.1.13 Outside Sales, etc. Not to (i) solicit sales, place signs, place or maintain any articles in any area of the Property outside of the Premises, or in the lobbies or on the sidewalks, corridors or other common areas of the Building, nor (ii) receive or ship articles of any kind outside the designated loading areas for the Premises, nor (iii) permit the parking of vehicles so as to interfere with the use of any driveway, corridor, footwalk, parking area, street or other common area of the Building.

6.1.14 Fire Extinguishers, etc. To maintain automatic, non-toxic, dry chemical fire extinguishing devices approved by the Fire Insurance Rating Organization having jurisdiction over the Premises, and if gas is used in the Premises, suitable gas cut-off devices (manual and automatic).

6.1.15 Receipt and Delivery. To receive and deliver goods and merchandise only through the loading dock designated from time to time by Landlord, during ordinary weekday business hours (except for Saturday deliveries by overnight courier firms such as Federal Express), and to cause all messenger and small scale deliveries to be made through the Building security desk, all in accordance with Landlord's rules and regulations therefor. Without limitation, no "hand trucks" shall be used in the lobby areas of the Building.

6.1.16 Security Measures. To maintain order and decorum in and around all portions of the Premises, and if auxiliary security personnel shall reasonably be required to maintain such order and decorum the same shall be provided by and at the expense of Tenant whenever requested by Landlord.

6.2 Negative Covenants. Tenant covenants and agrees, at all times during the Term and during such additional times (prior or subsequent thereto) as Tenant occupies the Premises or any part thereof:

6.2.1 Assignment and Subletting. (a) Not to assign, transfer, mortgage or pledge this Lease or to sublease (which term shall be deemed to include the granting of concessions and licenses and the like) all or any part of the Premises or suffer or permit this Lease or the leasehold estate hereby created or any other rights arising under this Lease to be assigned, transferred or encumbered, in whole or in part, whether voluntarily, involuntarily or by operation of law, or permit the occupancy of the Premises by anyone other than Tenant, without the prior written consent of

Landlord in each instance. In the event Tenant desires to assign this Lease or sublet any portion or all of the Premises, Tenant shall notify Landlord in writing of Tenant's intent to so assign this Lease or sublet the Premises, which notice shall be accompanied by (a) with respect to an assignment of this Lease, the date Tenant desires the assignment to be effective, and (b) with respect to a sublet of all or a part of the Premises, (i) the material business terms on which Tenant would sublet such premises, and (ii) a description of the portion of the Premises to be sublet. Each such notice shall be deemed an offer from Tenant to Landlord whereby Landlord shall be granted the right, at Landlord's option, (1) to suspend this Lease with respect to such space as Tenant proposes to sublease (the "Partial Space"), upon the terms and conditions hereinafter set forth, or (2) if the proposed transaction is an assignment of this Lease or a subletting of fifty percent (50%) or more of the rentable square footage of the Premises for a sublease term that expires later than twelve (12) months prior to the Expiration Date, to terminate this Lease with respect to the entire Premises. Such option may be exercised by notice from Landlord to Tenant within ten (10) business days after Landlord's receipt of Tenant's notice. If Landlord exercises its option to terminate this Lease as to the entire Premises, or to suspend this Lease as to a Partial Space, pursuant to the foregoing provisions, then (a) this Lease shall end and expire, or be suspended, with respect to all or a portion of the Premises, as the case may be, on the date that such assignment or sublease was to commence (as if such date were the expiration date of the Term hereof), (b) Rent shall be apportioned, paid or refunded as of such date and Tenant's Percentage shall be appropriately adjusted, (c) Tenant, upon Landlord's request, shall enter into an amendment of this Lease ratifying and confirming such termination or suspension, and setting forth any appropriate modifications to the terms and provisions hereof, (d) Landlord shall be free to lease the Premises, or the portion thereof as to which such termination or suspension shall be effective, or any part thereof, to any person or persons, including, without limitation, to Tenant's prospective assignee or subtenant, and (e) if the termination is only as to a Partial Space, Tenant shall be liable for all costs and expenses of segregating the Partial Space from the remaining Premises, and for the costs of separately demising the Partial Space from the remaining Premises. If Landlord does not elect to terminate or suspend this Lease as aforesaid, then Landlord's consent shall not be unreasonably withheld to such assignment or subletting, provided that the following conditions are met:

(i) the proposed assignee or subtenant is not then, and has not within the twelve (12) months immediately preceding such request, been a tenant in the Building or an entity with whom Landlord is dealing or has dealt within such twelve (12) month period regarding the possibility of leasing space in the Building;

(ii) Tenant is not in default under this Lease beyond any applicable grace period;

(iii) the assignee or subtenant shall use the Premises only for the Permitted Uses; and

(iv) the form and substance of the proposed sublease or instrument of assignment is reasonably satisfactory to Landlord.

Tenant shall furnish Landlord with any information reasonably requested by Landlord to enable Landlord to determine whether the proposed assignment or subletting complies with the requirements contained herein, including, without limitation, financial statements relating to the proposed assignee or subtenant, which Landlord shall keep confidential.

(b) Tenant shall, promptly after Landlord's request therefor, reimburse Landlord, as Additional Rent, for all reasonable legal fees and expenses incurred by Landlord in connection with any request by Tenant for such consent provided, however, with respect to each proposed sublease or assignment Tenant shall not be obligated to reimburse Landlord for more than $3,500.00 on account of such costs and expenses, unless such sublease or assignment does not occur in the ordinary course of business (e.g. is in connection with a bankruptcy or reorganization of Tenant) or involves an amendment to this Lease or other additional documentation (other than a customary Landlord's consent to sublease or assignment agreement), or if Landlord provides unusual or extraordinary services in connection therewith. If Landlord consents thereto, no such subletting or assignment shall in any way impair the continuing primary liability of Tenant hereunder, and no consent to any subletting or assignment in a particular instance shall be deemed to be a waiver of the obligation to obtain the prior written consent of Landlord for any other subletting or assignment. If Tenant has not executed and delivered to Landlord an assignment or sublease within one hundred eighty (180) days after Landlord's election not to terminate or suspend the Term hereof pursuant to the provisions of Section 6.2.1(a) above, then Tenant shall submit an additional notice to Landlord, and Landlord shall again have the right to terminate the Term in the case of a proposed assignment or to suspend this Lease pro tanto for the period and with respect to the space involved in the case of a proposed subletting, in accordance with the provisions of Section 6.2.1(a) as if Landlord's prior election not to do so had not been made.

(c) If Tenant shall enter into any assignment of this Lease or any sublease of all or any portion of the Premises, and in connection with any such assignment or sublease Tenant receives rent or other consideration, either initially or over the term of the assignment or sublease, in excess of the Rent payable by Tenant hereunder, or in case of any sublease of part of the Premises in excess of the Rent fairly allocable to such part of the Premises (after first deducting Tenant's reasonable actual out-of-pocket costs for construction of improvements in connection with said sublease and the reasonable third-party fees and expenses for brokerage, advertising, architectural, and legal services actually incurred by Tenant in connection with such assignment or sublease), amortized over the term of the assignment or sublease, then Tenant shall pay to Landlord, promptly after receipt thereof, as Additional Rent, fifty percent (50%) of the excess of each such payment of rent or other consideration received by Tenant. Within sixty (60) days after Landlord's consent to such assignment or sublease (or if Landlord's consent

is not required hereunder, within such sixty (60) days after the date of such assignment or sublease), Tenant shall deliver to Landlord a complete list of Tenant's reasonable third-party brokerage fees, legal fees and architectural fees paid or to be paid in connection with such transaction, together with a list of all of Tenant's personal property to be transferred to such assignee or sublessee. Tenant shall deliver to Landlord evidence of the payment of such fees promptly after the same are paid.

(d) If Tenant is a corporation, the transfer by one or more transfers, directly or indirectly, by operation of law or otherwise, of a majority of the stock of Tenant shall be deemed a voluntary assignment of this Lease; provided, however, that the provisions of this subsection (d) shall not apply to the transfer of shares of stock of Tenant if and so long as the voting of stock of Tenant is publicly traded on a nationally recognized stock exchange. For purposes of this subsection (d) the term "transfers" shall be deemed to include the issuance of new stock or of treasury stock which results in a majority of the stock of Tenant being held by a person or persons that do not hold a majority of the stock of Tenant on the date hereof. If Tenant is a partnership, the transfer (by one or more transfers) of a majority interest in the partnership shall be deemed a voluntary assignment of this Lease. If Tenant is a limited liability company, trust, or any other legal entity, the transfer (by one or more transfers) of a majority of the beneficial ownership interests in, or the right(s) to manage and/or direct the operations of, such entity, however characterized, shall be deemed a voluntary assignment of this Lease.

(e) Any assignment or transfer, whether made with Landlord's consent or without Landlord's consent because Landlord's consent is not required pursuant to the applicable provisions of this Section 6.2.1, if and to the extent permitted hereunder, shall not be effective unless and until the assignee or transferee executes, acknowledges and delivers to Landlord an agreement in form and substance satisfactory to Landlord whereby the assignee (A) assumes Tenant's obligations under this Lease (including, without limitation, the obligation to continue to operate for the Permitted Use), and (B) agrees that, notwithstanding such assignment or transfer, the provisions of this Section 6.2.1 shall be binding upon it with respect to all future assignments and transfers.

(f) Notwithstanding the foregoing provisions, Landlord's prior consent shall not be required for an assignment of this Lease in connection with transactions with an entity which acquires all or substantially all of the assets of or ownership interests in Tenant, or into or with which Tenant is merged or consolidated so long as: (i) such entity shall agree with Landlord to be bound by all of the obligations of Tenant hereunder; (ii) such assignment shall not relieve Tenant of any of its obligations hereunder; and (iii) such transfer was made for a legitimate independent business purpose and not for the purpose of transferring this Lease.

(g) Notwithstanding the foregoing provisions, Landlord's prior consent shall not be required for an assignment of this Lease or a sublease of all or a portion of the Premises to an Affiliate of Tenant (but only for such period of time as such

Person remains an Affiliate of Tenant), it being agreed that the subsequent transfer of control, or any other transaction(s) having the overall effect that such Person ceases to be such an Affiliate of Tenant, shall be treated as if such transfer or transaction(s) were, for all purposes, an assignment of this Lease to a third party not an Affiliate of Tenant governed by the provisions of subsection (a). "Affiliate" shall mean any entity (i) of which Tokai Pharmaceuticals, Inc. possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, or (ii) of which Tokai Pharmaceuticals, Inc. owns not less than fifty percent (50%) of the ownership interests; provided, however, the subsequent sale or transfer of stock or ownership interests having the overall effect that Tokai Pharmaceuticals, Inc. no longer holds fifty percent (50%) or more of the ownership interests of such entity shall be treated as if such sale, transfer or other transaction(s) were for all purposes, an assignment of this Lease. Any assignee or sublessee pursuant to a transaction described in Section 6.2.1(f) or (g) shall be a "Permitted Assignee."

(h) The joint and several liability of Tenant and any successors-in-interest of Tenant and the due performance of Tenant's obligations under this Lease shall not be discharged, released or impaired by any agreement or stipulation made by Landlord, or any grantee or assignee of Landlord, extending the time, or modifying any of the terms and provisions of this Lease, or by any waiver or failure of Landlord, or any grantee or assignee of Landlord, to enforce any of the terms and provisions of this Lease. The listing of any name other than that of Tenant on the doors of the Premises, the Building directory or elsewhere shall not vest any right or interest in this Lease or in the Premises, nor be deemed to constitute Landlord's consent to any assignment or transfer of this Lease or to any sublease of the Premises or to the use or occupancy thereof by others. Any such listing shall constitute a privilege revocable in Landlord's discretion by notice to Tenant.

(i) Notwithstanding the foregoing, the prior consent of Landlord shall not be required with respect to, and the provisions of Section 6.2.1 shall not apply to, occupancy agreements entered into by Tenant with its clients and customers ("Approved Users") for the temporary occupancy of space within the Premises, provided that (a) Tenant does not separately demise such space and the Approved Users utilize, in common with Tenant, common entryways to the Premises as well as shared central services, such as reception, photocopying and the like; (b) the Approved Users shall not occupy, in the aggregate, more than 20% of the Rentable Area in the Premises; (c) the Approved Users occupy space in the Premises for the Permitted Uses and for no other purpose; and (d) if requested by Landlord, Tenant notifies Landlord, in writing, of the identity of any such Approved Users prior to occupancy of the Premises by such Approved Users. If any Approved Users occupy any portion of the Premises as described herein, (i) the Approved Users shall comply with all provisions of this Lease, and a default by any Approved User shall be deemed a default by Tenant under this Lease; (ii) all notices required to be provided by Landlord under this Lease shall be forwarded only to Tenant in accordance with the terms of this Lease and in no

event shall Landlord be required to send any notices to any Approved Users; (iii) in no event shall any use or occupancy of any portion of the Premises by any Approved User release or relieve Tenant from any of its obligations under this Lease; (iv) the Approved Users shall be deemed to be contractors of Tenant for purposes of Tenant's indemnification obligations set forth in this Lease; and (v) in no event shall the occupancy of any portion of the Premises by Approved Users be deemed to create a landlord/tenant relationship between Landlord and such Approved Users, and, in all instances, Tenant shall be considered the sole tenant under this Lease notwithstanding the occupancy of any portion of the Premises by the Approved Users.

6.2.2 Nuisance. Not to permit or cause any offensive odors or vibrations to be emitted from the Premises. Not to injure, deface or otherwise harm the Premises or the Property (or any part thereof), nor to commit any nuisance; nor permit in the Premises any vending machine (except as used for the sale of merchandise to employees and guests of Tenant) or kerosene, gasoline, or inflammable or combustible or explosive fluid or chemical substance (other than limited quantities of such materials or substances reasonably necessary for the operation or maintenance of office equipment or limited quantities of cleaning fluids and solvents required in Tenant's normal operations in the Premises); nor permit any cooking to such extent as requires special exhaust venting or in violation of the Rules and Regulations; nor permit the emission of any objectionable noise or odor; nor permit use of any telecommunications or other equipment which interferes with the use and enjoyment by any other tenant of the Building of its demised premises; nor make, allow or suffer any waste; nor make any use of the Premises which is improper, offensive or contrary to any law or ordinance or which will invalidate any of Landlord's insurance or cause any increase above normal insurance premiums on the Building; nor conduct any auction, fire, "going out of business" or bankruptcy sales.

6.2.3 Hazardous Wastes and Materials. Not to (i) cause or permit any Hazardous Materials to be used, handled, generated, stored or disposed of on, under or above, or transported to or from, the Premises, and/or (ii) cause or permit any of the employees, agents, contractors, licensees, customers, or invitees of Tenant to use, handle, generate, store, or dispose of on, under, or above, or transport to or from, any other portion of the Property (collectively, "Hazardous Materials Activities"). Nothing contained herein shall be deemed to prevent Tenant from using de minimus quantities of commercially available cleaners and office supplies which are customarily used in the ordinary course of first-class business office operations, which cleaners and/or office supplies contain Hazardous Materials; provided that, Tenant shall use such cleaners and/or office supplies in strict compliance (at Tenant's sole cost and expense) with all applicable laws, and shall use all necessary and appropriate precautions to prevent any spill, discharge, release or exposure to persons or property. Landlord shall not be liable to Tenant for any loss, cost, expense, claim, damage or liability arising out of any Hazardous Materials Activities by Tenant, or by Tenant's employees, agents, contractors, licensees, customers or invitees, whether or not consented to by

Landlord. Tenant shall indemnify, defend with counsel acceptable to and approved by Landlord, and hold Landlord and all Landlord Affiliates harmless from and against any and all losses, costs, expenses (including, without limitation, all reasonable attorneys fees), claims, damages, obligations and liabilities arising out of: (i) any Hazardous Materials Activities on the Premises first occurring after the Commencement Date, whether or not consented to by Landlord; (ii) any Hazardous Materials Activities by Tenant, Tenant's employees, agents, contractors, licensees, customers or invitees or anyone claiming by, through or under Tenant, wherever occurring; and (iii) any contamination, claim of contamination, loss or damage, or the like arising out of or resulting from the foregoing. For purposes hereof, "Hazardous Materials" shall include but not be limited to substances defined as "hazardous substances," "toxic substances" or "hazardous wastes" or "oil" in any local, state or federal law, rule, regulation or ordinance (collectively, "Environmental Law(s)"). If Landlord consents to any Hazardous Materials Activities, prior to using, storing or maintaining any Hazardous Materials on or about the Premises, Tenant shall provide Landlord with a list of the types and quantities thereof, and shall update such list from time-to-time as necessary for continued accuracy. Tenant shall also provide Landlord with a copy of any Hazardous Materials inventory statement and any updates thereof required by any applicable Environmental Laws. If Tenant's activities violate or create a risk of violation of any Environmental Law or cause a spill, discharge, release or exposure to any persons or property, Tenant shall cease such activities immediately. Tenant shall immediately notify Landlord both by telephone and in writing of any spill, discharge, release or exposure of Hazardous Materials in or about the Premises, or of any condition in or about the Premises constituting an "imminent hazard" under any Environmental Laws. Landlord, Landlord's representatives and employees may enter the Premises during the Term to inspect Tenant's compliance herewith, and may disclose any spill, discharge, release, or exposure or any violation of any Environmental Laws to any applicable governmental agencies or authorities.

6.2.4 Floor Load; Heavy Equipment. Not to place a load upon any floor of the Premises exceeding the floor load per square foot area which Landlord reasonably determines the floor is adequate to carry, and in no event, in excess of that allowed by law. Landlord reserves the right to reasonably prescribe the weight and position of all heavy business machines and equipment, including safes, which shall be placed so as to distribute the weight. Business machines and mechanical equipment which cause vibration or noise shall be placed and maintained by Tenant at Tenant's expense in settings sufficient to absorb and prevent vibration, noise and annoyance. Tenant shall not move any safe, heavy machinery, heavy equipment, freight or fixtures into or out of the Premises except in such manner and at such time as Landlord shall reasonably authorize in each instance.

6.2.5 Improvements, Alterations and Additions. (a) Not to make any installations, improvements, alterations or additions (collectively, "Alterations") in, to or on the Premises, nor the installation or modification of any locks or security devices,

without on each occasion obtaining the prior written consent of Landlord. Notwithstanding the foregoing, Landlord's prior written consent shall not be required in connection with usual and customary interior decorative or cosmetic Alterations that satisfy the following criteria: (i) the Alteration is of a decoration or cosmetic nature such as wallpapering, painting, carpeting or installation of artwork, (ii) the Alteration is non-structural and does not affect the Building Systems, (iii) the Alteration affects only the Premises and is not visible from outside of the Premises or the Building, (iv) the Alteration will not adversely affect any service furnished by Landlord to Tenant or to any other tenant of the Building, (v) the Alteration does not require work to be performed inside the walls, above the ceiling, or below the floor of the Premises, and (vi) the Alteration is in compliance with, and does not cause any violations of, all applicable laws, codes, ordinances, by-laws, and requirements. All Alterations (excepting only decorative Alterations) shall be performed pursuant to plans and specifications approved by Landlord in advance in each instance and by contractors approved by Landlord in its reasonable discretion. All Alterations shall be performed in a manner and fashion so as to minimize interference with the other tenants and occupants of the Building, with Landlord and Landlord's operations in the Building and with other labor working on the Premises and/or the Property (or any part thereof). Tenant shall pay promptly when due the entire cost and expense of all Alterations to the Premises undertaken by Tenant and in any event shall cause the Premises at all times to be free of liens for labor and materials. All Alterations performed by Tenant shall be performed in a good and workmanlike manner, employing materials of the highest quality and in compliance with all applicable Requirements. To the maximum extent permitted by law, Tenant shall indemnify and hold harmless Landlord and all Landlord Affiliates from (i) any personal injury, death, damage or loss to any person or property arising out of or resulting from any Alterations undertaken by Tenant, and (ii) any liabilities and/or obligations for any and all liens or encumbrances filed against the Property or any part thereof or interest therein arising out of or resulting from the Alterations performed by Tenant. Tenant, at its expense, shall procure the discharge or bonding of all such liens and encumbrances within thirty (30) days after the filing of any such lien or encumbrance against the Premises and/or the Property or any part thereof. If Tenant shall fail to cause any such lien or encumbrance to be discharged or bonded within such thirty (30) day period, then, in addition to any other right or remedy, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by deposit or bonding proceedings, and in any such event Landlord shall be entitled, if it elects, to compel the prosecution of an action for the foreclosure of such lien and to pay the amount of the judgment in favor of the lien with interest, costs and allowances. Without limiting the foregoing, any amount so paid by Landlord, and all costs and expenses incurred by Landlord in connection therewith, shall constitute Additional Rent under this Lease and shall be paid by Tenant to Landlord within ten (10) days after demand.

(b) Prior to commencing any Alterations, Tenant shall, at Tenant's sole cost and expense: (i) secure all licenses, permits and approvals required by any

governmental authorities in connection therewith; (ii) deliver to Landlord a statement of the names of all of its contractors and subcontractors, and the estimated costs of all labor and material to be furnished by them; (iii) furnish to Landlord reasonably satisfactory evidence of the insurance coverages maintained by Tenant in accordance with the requirements of Section 4.2.4 of this Lease; and (iv) cause each contractor to carry (A) workers' compensation insurance in statutory amounts and employer's liability insurance with limits of not less than $500,000.00 per accident covering all the contractor's and subcontractor's employees, (B) commercial general liability insurance, including completed operations coverage, for a period of not less than one (1) year beyond completion of the work that the contractor/subcontractor performs, with such limits as Landlord may reasonably require but in no event less than $5,000,000.00 per occurrence, and (C) automobile liability insurance with such limits as Landlord may reasonably require, but in no event less than $1,000,000.00 combined single limit per accident, with liability coverage of not less than $4,000,000.00 (for a total of $5,000,000.00 in an umbrella liability policy). All such insurance coverages (i) shall be written by companies duly licensed in the Commonwealth of Massachusetts and reasonably approved by Landlord, (ii) shall name Landlord, all Landlord Affiliates requested by Landlord, and Tenant as additional insureds, as their respective interests may appear, as well as their respective contractors and subcontractors, (iii) shall contain a waiver of subrogation provision in favor of Landlord and all such Landlord Affiliates, and (iv) shall provide primary coverage as to any other coverage maintained by any insured other than Tenant. Tenant shall deliver to Landlord certificates of all such insurance before Tenant begins any Alterations.

(c) Landlord may inspect the Alterations in progress at reasonable times and from time-to-time; provided, however, Landlord shall, except in case of emergency, (i) give Tenant reasonable prior notice of such inspections, and (ii) conduct such inspections so as to minimize interference with the construction work of Tenant.

(d) At Landlord's request, promptly after such Alterations are completed, Tenant shall provide Landlord with a complete set of "as-built" plans for the portions of the Premises affected by such work, prepared using electronic CAD files in AUTO CAD format.

(e) All Alterations shall be performed (a) in a good and first-class workmanlike manner and free from defects, (b) in accordance with the plans and specifications approved by Landlord, and by contractors approved by Landlord, (c) if requested by Landlord, under the supervision of a licensed architect reasonably satisfactory to Landlord, and (d) in compliance with all applicable laws, by-laws, ordinances, codes, regulations and guidelines, the terms of this Lease, and all procedures and regulations then prescribed by Landlord for coordinating all work performed in the Property.

(f) Tenant shall pay promptly to Landlord or its designee, upon demand, all reasonable out-of-pocket architectural and engineering fees and costs actually incurred by Landlord in connection with the review and supervision of Tenant's Alterations (including the Tenant's Work), including costs incurred in connection with Landlord's review of the Alterations (including review of requests for approval thereof). In addition, if Tenant's Alterations shall cost more than $100,000.00, Tenant shall pay to Landlord or its designee, upon demand, an administrative fee in the amount of three percent (3%) of the total cost of such Alterations.

(g) The approval of plans or specifications, or consent by Landlord to the making of any Alterations, does not constitute Landlord's agreement or representation that such plans, specifications or Alterations comply with any laws, codes, ordinances, rules, guidelines or requirements. Landlord shall have no liability to Tenant or any other party in connection with Landlord's approval of any plans and specifications for any Alterations, or Landlord's consent to Tenant's performing any Alterations.

6.2.6 Abandonment. Not to abandon or vacate the Premises during the Term without continuing to pay Rent when due hereunder.

6.2.7 Signs; Building Directory. Not to install or place any signs, displays, curtains, blinds, shades, awnings, aerials, or the like, in any areas that may be visible from outside the Premises, excepting only with the prior written approval of the Landlord in each instance. Landlord will, at Landlord's expense, install the name of the Tenant in the Building lobby directory. Without limiting the foregoing, subject to Landlord's approval and in accordance with the signage standards and specifications adopted by Landlord from time-to-time, Tenant may at its sole cost and expense install identification signage on the entrance doors to the Premises and in the elevator lobby area of the floor on which the Premises are located.

## ARTICLE 7
## Casualty or Taking

7.1 Termination. In the event that the Premises or the Building and/or any material part thereof, shall be taken by any public authority or for any public use, or shall be destroyed or damaged by fire or other casualty, or by the action of any public authority, then this Lease may be terminated at the election of Landlord. Such election, which may be made notwithstanding the fact that Landlord's entire interest may have been divested, shall be made by the giving of notice by Landlord to Tenant within sixty (60) days after the date of the taking or casualty. In addition to Landlord's right to terminate as provided herein, Tenant shall have the right to terminate this Lease if either (i) more than thirty-five percent (35%) of the Rentable Area of the Premises shall be destroyed or materially damaged by fire or casualty, or (ii) a material portion of the common areas of the Building are destroyed or materially damaged such that Tenant is deprived of reasonable access to the Premises; and as a result thereof, (a) the Premises are not, despite

Tenant's commercially reasonable good faith efforts, usable by Tenant in the ordinary course of Tenant's business; and (b) within not more than thirty (30) days after the date of the casualty or damage or of the date of Landlord's notice to Tenant of such taking, Tenant provides Landlord with written notice of its election to terminate this Lease. Subject to the terms of this Section 7.1, if Tenant timely and properly notifies Landlord of its election to terminate this Lease, this Lease shall terminate thirty (30) days after the date such notice is received by Landlord. Notwithstanding anything to the contrary in this Article **7**, if any damage during the final 18 months of the Term renders the Premises wholly untenantable, either Landlord or Tenant may terminate this Lease by notice to the other party within 30 days after the occurrence of such damage and this Lease shall expire on the 30th day after the date of such notice. For purposes of this paragraph, the Premises shall be deemed wholly untenantable if Tenant shall be precluded from using more than 35% of the Rentable Area of the Premises for the conduct of its business and Tenant's inability to so use the Premises is reasonably expected to continue for more than 90 days.

7.2 Restoration. Subject to the terms of Section 7.1, if neither Landlord nor Tenant elects to terminate this Lease, then this Lease shall continue in force and, if such taking or damage is of or to the Premises, a just proportion of the Rent reserved, according to the nature and extent of the damages sustained by the Premises, shall be suspended or abated until the Premises, or what may remain thereof, shall be put by Landlord in proper condition for use, which Landlord covenants to do with reasonable diligence (subject to delays which result from any cause beyond the reasonable control of Landlord) to the extent permitted by the net proceeds of insurance recovered or damages awarded for such taking, destruction or damage and subject to zoning and building laws or ordinances then in existence. Should the net proceeds of insurance recovered or damages awarded be insufficient to cover the cost of restoring the Premises, in the reasonable estimate of the Landlord, the Landlord may, but shall have no obligation to, supply the amount of such insufficiency and restore the Premises with all reasonable diligence or the Landlord may terminate the Lease by giving notice to the Tenant not later than a reasonable time after the Landlord has determined the estimated net proceeds of insurance recovered or damages awarded and the estimated cost of such restoration. In case of damage or destruction, as a result of a risk which is not covered by the Landlord's insurance, the Landlord shall likewise be obligated to rebuild the Premises, all as aforesaid, unless the Landlord, within a reasonable time after the occurrence of such event, gives written notice to the Tenant of the Landlord's election to terminate this Lease. "Net proceeds of insurance recovered or damages awarded" refers to the gross amount of such insurance or damages actually received by Landlord less the reasonable expenses of Landlord incurred in connection with the collection of the same, including without limitation, fees and expenses for legal and appraisal services. If Landlord's restoration work has not been substantially completed within twelve (12) months after the taking or damage, then Tenant shall have the right to terminate this Lease by giving Landlord written notice of its election to do so within thirty (30) days after the end of such twelve (12) month period, and if Tenant timely gives such notice, this

Lease shall terminate on the date which is thirty (30) days after the date of the giving of such notice, unless Landlord's restoration work is substantially completed within such thirty (30) day period, in which event such termination notice shall be null and void and this Lease shall continue in full force and effect.

7.3 Award. Irrespective of the form in which recovery may be had by law, all rights to damages or compensation for any taking of the Premises (including, without limitation, any taking of the leasehold interest of Tenant) shall belong to Landlord in all cases. Tenant hereby grants to Landlord all of Tenant's rights to such damages and covenants to deliver such further assignments thereof as Landlord may from time to time request. The Tenant shall be entitled to receive and retain only such amounts as may be specifically awarded to it in any such condemnation proceedings, as a result of the taking of its trade fixtures or furniture and its leasehold improvements to the extent the Landlord's award is not thereby reduced and the Tenant is not otherwise reimbursed for the same by the Landlord.

## ARTICLE 8
## Defaults

8.1 Events of Default. If any of the following occurs:

(a) Tenant shall default in the payment when due of any Fixed Rent or Additional Rent, and such default shall continue for five (5) business days after notice thereof from Landlord; or

(b) Tenant shall have previously defaulted more than twice in any twelve (12) month period in the payment when due of any Fixed Rent or Additional Rent, Tenant subsequently defaults in the payment when due of any Fixed Rent or Additional Rent; or

(c) Tenant shall default in the timely performance or observance of any other term, covenant, or condition contained in this Lease on the Tenant's part to be performed or observed and shall fail, within thirty (30) days after notice from Landlord of such default, to cure such default; or if such default is not reasonably susceptible of cure within thirty (30) days, if Tenant shall fail to commence to cure such default within thirty (30) days after notice of such default from Landlord or shall thereafter fail diligently to prosecute such cure to completion or shall fail to cure such default by not later than one hundred twenty (120) days after receipt of such notice from Landlord; or

(d) the estate of Tenant hereby created shall be taken on execution, or by other process of law; or

(e) Tenant commences a voluntary case under Title 11 of the United States Bankruptcy Code as from time-to-time in effect, or it authorizes, by appropriate proceedings of trustees or other governing body the commencement of such a voluntary case; or

(f) Tenant files an answer or other pleading admitting or failing to deny the material allegations of a petition filed against it commencing an involuntary case under said Bankruptcy Code, or if it seeks, consents to or acquiesces in the relief therein provided, or if it fails to controvert timely the material allegations of any such petition; or

(g) there is entered an order for relief in any involuntary case commenced under said Title; or

(h) Tenant seeks relief as a debtor under any applicable law, other than said Bankruptcy Code, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or by Tenant's consent to or acquiescence in such relief; or

(i) there is entered an order by a court of competent jurisdiction (i) finding Tenant to be bankrupt or insolvent, (ii) ordering or approving Tenant's liquidation, reorganization or any modification or alteration of the rights of its creditors, or (iii) assuming custody of, or appointing a receiver or other custodian for, all or a substantial part of Tenant's property; or

(j) Tenant makes an assignment for the benefit of, or enters into a composition with, its creditors, or appoints or consents to the appointment of a receiver or other custodian for all or a substantial part of its property; or

(k) Tenant rejects this Lease and a court of competent jurisdiction enters an order approving the rejection of the Lease under Title 11 of the United States Code as from time to time in effect, or under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or by Tenant's consent to or acquiescence in such relief;

then and in any of said cases, in addition to all other remedies available at law or in equity, Landlord may, to the extent permitted by law, immediately or at any time thereafter and with or without demand or notice to Tenant, enter into and upon the Premises, or any part thereof in the name of the whole, and repossess the same as of Landlord's former estate, and expel Tenant and those claiming by, through or under Tenant and remove its effects without being deemed guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of Rent and preceding breach of covenant, and/or Landlord may terminate this Lease by sending written notice thereof to Tenant and this Lease shall terminate and come to an end on the earlier to occur of (i) entry as aforesaid, or (ii) the fifth (5th) day following the sending of such notice as fully and completely as if such date were on the date herein originally fixed for the expiration of the Term of this Lease. Tenant will then quit and surrender the Premises to Landlord, but Tenant shall remain liable as herein provided. To the extent permitted by law, Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws (including M.G.L.

c.186, §11), in the event of Tenant being evicted or dispossessed, or in the event of Landlord obtaining possession of the Premises, by reason of the violation by Tenant of any of the covenants and conditions of this Lease. In the event of any such termination, entry or re-entry, Landlord shall have the right to remove and store Tenant's property and that of persons claiming by, through or under Tenant at the sole risk and expense of Tenant and, if Landlord so elects, (x) to sell such property at public auction or private sale and apply the net proceeds to the payment of all sums due to Landlord from Tenant and pay the balance, if any, to Tenant, or (y) to dispose of such property in any manner in which Landlord shall elect, Tenant hereby agreeing to the fullest extent permitted by law that it shall have no right, title or interest in any property remaining in the Premises after such termination, entry or re-entry.

8.2 Remedies. (a) No termination or repossession provided for in Section 8.1 shall relieve Tenant or any guarantor of the liabilities and obligations of Tenant under this Lease, all of which shall survive any such termination or repossession. In the event of any such termination or repossession, Tenant shall pay to Landlord, at Landlord's election, either (i) in advance, on the first day of each month, for what would have been the entire balance of the Term (including any unexercised Extension Term), 1/12th (and a pro rata portion thereof for any fraction of a month) of the annual Fixed Rent, Additional Rent and all other amounts for which Tenant is obligated hereunder, minus, in each case, the actual net receipts by Landlord by reason of any re-letting of the Premises (after deducting Landlord's reasonable expenses in connection with such re-letting, including, without limitation, remodeling costs and costs of preparing the Premises, removal, storage and repair costs and reasonable brokers' and attorneys' fees), or (ii) upon demand and at the option of Landlord at any time thereafter, the present value (computed at a discount rate based upon the Prime Rate) of the amount by which the payments of Fixed Rent and Additional Rent payable for the balance of the Term would exceed the fair rental value of the Premises for the balance of the Term, determined by Landlord as of such date, less any proceeds of any re-letting of the Premises. For purposes of this Article, if Landlord elects to require Tenant to pay damages in accordance with the immediately preceding sentence, the total amount due shall be computed by assuming that Tenant's Tax Excess and Tenant's Operating Cost Excess would be, for the balance of such unexpired Term, the amount thereof respectively for the Tax Period and calendar year, respectively, in which such termination, entry or re-entry shall occur.

(b) Notwithstanding the foregoing, Landlord will use reasonable efforts to re-let the Premises after Tenant vacates the Premises; however, the marketing of the Premises in a manner similar to the manner in which Landlord markets other premises within Landlord's control in the Building shall be deemed to have satisfied Landlord's obligation to use "reasonable efforts." In no event shall Landlord be required to (i) solicit or entertain negotiations with any other prospective tenants for the Premises unless and until Landlord obtains full and complete possession of the Premises, including the final and unappealable legal right to re-let the Premises free of any claim of Tenant, (ii) lease the Premises to a

tenant whose proposed use, in Landlord's reasonable judgment, will be unacceptable, (iii) re-let the Premises prior to leasing any other vacant space in the Building, suitable for the use of the prospective tenant, (iv) lease the Premises for a rental rate less than the current fair market rent then prevailing for similar space in the Building, or (v) enter into a lease with any proposed tenant that does not have, in Landlord's reasonable opinion, sufficient financial wherewithal and resources to satisfy its financial obligations under the prospective lease. Landlord may elect: (i) to re-let the Premises or any part or parts thereof, for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the Term and may grant such inducements, allowances, concessions and free rent as Landlord in its sole discretion considers advisable or necessary to re-let the same, and/or (ii) to make such alterations, repairs and decorations to the Premises as Landlord in its sole discretion considers advisable or necessary to re-let the same, and no action of Landlord in accordance with the foregoing or failure to re-let or to collect rent under re-letting shall operate or be construed to release or reduce Tenant's liability as aforesaid. In connection with any such re-letting, Landlord may take into account all relevant factors which would be considered by a sophisticated Landlord in re-letting the Premises, and Tenant hereby waives, to the extent permitted by applicable law, any obligation Landlord may have to mitigate the Tenant's damages; provided, however, the foregoing provisions shall not detract from Landlord's obligations to exercise reasonable efforts to re-let the Premises as set forth in this Section 8.2(b).

(c) Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy, insolvency or like proceedings by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

8.3 Remedies Cumulative. Any and all rights and remedies which Landlord may have under this Lease, and at law and equity, shall be cumulative and shall not be deemed inconsistent with each other, and any two or more of all such rights and remedies may be exercised at the same time insofar as permitted by law.

8.4 Landlord's Right to Cure Defaults. After the expiration of any applicable notice and cure periods and upon reasonable prior notice (except in emergencies), Landlord may, but shall not be obligated to, cure any default by Tenant under this Lease; and whenever Landlord so elects, all costs and expenses incurred by Landlord, including reasonable attorneys' fees, in curing such default shall be paid, as Additional Rent, by Tenant to Landlord on demand, together with interest thereon at the Default Rate from the date of payment by Landlord to the date of payment by Tenant.

8.5 Effect of Waivers of Default. Any consent or permission by Landlord to any act or omission which otherwise would be a breach of any covenant or condition herein, or any waiver by Landlord of the breach of any covenant or condition, shall not in any way be held or construed to operate so as to impair the continuing obligation of any covenant or condition herein, or otherwise, except as to the specific instance, operate to permit similar acts or omissions.

8.6 No Waiver, etc. The failure of Landlord to complain of any action or omission or to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Landlord of any payments on account of Rent with knowledge of the breach of any covenant of this Lease shall not be deemed to have been a waiver of such breach by Landlord. No consent or waiver, express or implied, by Landlord or by Tenant to or of any breach of any agreement or duty to the other shall be construed as a waiver or consent to or of any other breach of the same by the other or any other agreement or duty of the other.

8.7 No Accord and Satisfaction. No acceptance by Landlord of a lesser sum than the Fixed Rent, Additional Rent or any other charge then due shall be deemed to be other than on account of the earliest installment of such Rent or charge due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent or other charge be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy in this Lease provided.

## ARTICLE 9
## Rights of Mortgagees

9.1 Rights of Mortgagees. (a) The rights and interests of Tenant under this Lease shall be subject and subordinate to any mortgages that are now or may hereafter be placed upon the Property and/or the Building, and to any and all advances to be made thereunder, together with all renewals, modifications, replacements and extensions thereof. Without limitation, any mortgagee shall have the right, at its option, to subordinate its mortgage to this Lease, in whole or in part, by recording with the Registry of Deeds a unilateral written declaration to such effect. Upon entry and taking possession of the property by a mortgagee, for the purpose of foreclosure or otherwise, such Mortgagee shall have all the rights of Landlord, and shall be liable to perform all the obligations of Landlord arising during the period of such possession, provided, however, that such Mortgagee shall have no liability for any obligations which arise prior to the date on which it makes such entry or takes possession. No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, or by law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release or termination of such obligations or a termination of this Lease unless (i) Tenant

shall have first given written notice of Landlord's act or failure to act to first mortgagees of record, if any, and to any other mortgagees of whom Tenant has been given written notice, specifying the act or failure to act on the part of Landlord which could or would give basis to Tenant's rights; and (ii) such mortgagees, after receipt of such notice, have failed or refused to correct or cure the condition complained of within a reasonable time thereafter; but nothing contained in this paragraph (c) shall be deemed to impose any obligation on any such mortgagees to correct or cure any such condition. "Reasonable time" as used above means and includes a reasonable time to obtain possession of the Property if any such mortgagee elects to do so and a reasonable time to correct or cure the condition if such condition is determined to exist. This Section shall be self-operative and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall promptly execute, acknowledge and deliver any instrument that Landlord, any mortgagee or any of their respective successors in interest may reasonably require to evidence such subordination, which instrument shall also include commercially reasonable provisions for the recognition and non-disturbance of Tenant's estate and rights under this Lease, consistent with the terms and conditions of the form of subordination, non-disturbance and attornment agreement attached hereto as Exhibit H.

Concurrently with the delivery of this Lease, Landlord will deliver a subordination, non-disturbance and attornment agreement from Bank of America, N.A., the current holder of a mortgage on the Property, substantially in the form attached hereto as Exhibit H. In connection with any mortgages or ground leases entered into during the Term, Landlord shall use commercially reasonable efforts to cause such mortgagee or ground lessor to execute and deliver to Tenant a subordination, non-disturbance and attornment agreement in the form attached hereto as Exhibit H, or such form which provides Tenant with similar benefits.

(b) If any mortgagee or the nominee or designee of any mortgagee shall succeed to the rights of Landlord under this Lease, whether through possession or foreclosure action or delivery of a new lease or deed, or otherwise, then at the request of such party so succeeding to Landlord's rights (herein called "Successor Landlord") and upon such Successor Landlord's written agreement to recognize and not disturb Tenant's estate and rights under this Lease and accept Tenant's attornment, Tenant shall attorn to and recognize such Successor Landlord as Tenant's landlord under this Lease and shall promptly execute and deliver any instrument that such Successor Landlord may reasonably request to evidence such attornment. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between the Successor Landlord and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease, except that the Successor Landlord shall not be (a) liable in any way to Tenant for any act or omission, neglect or default on the part of Landlord under this Lease, (b) responsible for any monies owing by or on deposit with Landlord to the credit of Tenant, (c) subject to any counterclaim or setoff which theretofore accrued to Tenant against Landlord, (d) bound by any modification of this Lease not

previously approved by such Successor Landlord (or its predecessors in interest), or by any previous prepayment of Annual Fixed Rent or Additional Rent for more than 1 month, (e) liable to the Tenant beyond the Successor Landlord's interest in the Property and the rents, income, receipts, revenues, issues and profits issuing from the Property, (f) responsible for the performance of any work to be done by the Landlord under this Lease to render the Premises ready for occupancy by the Tenant, or (g) required to remove any person occupying the Premises or any part thereof, except if such person claims by, through or under the Successor Landlord.

9.2 Modifications. If any mortgagee shall require any modification(s) of this Lease, Tenant shall, at Landlord's request, promptly execute and deliver to Landlord such instruments effecting such modification(s) as Landlord shall require, provided that such modification(s) do not adversely affect in any material respect any of Tenant's rights under this Lease.

## ARTICLE 10
[Intentionally Deleted]

## ARTICLE 11
Miscellaneous Provisions

11.1 Notices from One Party to the Other. All notices required or permitted hereunder shall be in writing and addressed as follows: (i) if to the Tenant and sent prior to the Commencement Date, at the Original Notice Address of Tenant; and if sent on or after the Commencement Date, at the Premises, or such other address as Tenant shall have last designated by notice in writing to Landlord, and; (ii) if to Landlord, at the Original Notice Address of Landlord or such other address as Landlord shall have last designated by notice in writing to Tenant. Any notice shall be sent to such address by registered or certified mail, return receipt requested, postage prepaid, or by nationally recognized courier, charges prepaid, or by hand and shall be effective when received or when tendered delivery is refused.

11.2 Quiet Enjoyment. Landlord agrees that upon Tenant's paying the Rent and performing and observing the agreements, conditions and other provisions on its part to be performed and observed, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises during the Term hereof without any manner of hindrance or molestation from Landlord or anyone claiming under Landlord, subject, however, to the terms of this Lease. The foregoing covenant of quiet enjoyment is in lieu of any other covenant, express or implied.

11.3 Lease Not to be Recorded. The Tenant agrees not to record this Lease, but each party hereto agrees, on request of the other, to execute a Notice of Lease in recordable form and complying with applicable laws, and in form and content reasonably satisfactory to both parties. In no event shall such document set forth the rental or other charges payable by the Tenant under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease, and is not intended to vary the terms and conditions of this Lease.

11.4 Limitation of Landlord's Liability. The term "Landlord" as used in this Lease, so far as covenants or obligations to be performed by Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the Property, and in the event of any transfer or transfers of title to the Property, the Landlord (and in case of any subsequent transfers or conveyances, the then grantor) shall be concurrently freed and relieved from and after the date of such transfer or conveyance, without any further instrument or agreement, of all liability and obligation with respect to the performance of any covenants or obligations on the part of the Landlord contained in this Lease thereafter to be performed, it being intended hereby that the covenants and obligations contained in this Lease on the part of Landlord, shall, subject as aforesaid, be binding on the Landlord, its successors and assigns, only during and with respect to their respective successive periods of ownership of such leasehold interest or fee, as the case may be. Tenant, its successors and assigns, shall not assert nor seek to enforce any claim for breach of this Lease against any of Landlord's assets other than Landlord's interest in the Property and in the rents, issues and profits thereof, and Tenant agrees to look solely to such interests for the satisfaction of any liability or claim against Landlord under this Lease. In no event shall Landlord or any Landlord Affiliates, including, without limitation, any general or limited partner, trustees, beneficiaries, employees, agents, officers, directors, stockholders, managers, or members of Landlord ever be personally liable for any liability or obligation of, Landlord whether under this Lease, or at law or in equity.

11.5 Acts of God. In any case where either party hereto is required to perform any work or take any action, delays caused by or resulting from Acts of God, war, civil commotion, fire, flood or other casualty, labor difficulties, shortages of labor, materials or equipment, government regulations, unusually severe weather, or other causes beyond such party's reasonable control (but financial inability shall never be deemed to be an event beyond either party's reasonable control) (each a "Force Majeure Event") shall not be counted in determining the time during which work shall be completed or such action shall be taken, whether such time be designated by a fixed date, a fixed time or a "reasonable time," and such time shall be deemed to be extended by the period of such delay. Nothing contained in this Section 11.5 shall be applicable to, or in any way affect, reduce or abate the obligations of Tenant under this Lease to pay all Rent and other charges in a timely fashion pursuant to the terms hereof.

11.6 Landlord's Default. Landlord shall not be deemed to be in default in the performance of any of its obligations hereunder unless it shall fail to perform such obligations and such failure shall continue for a period of thirty (30) days or, if such obligation is incapable of being performed within thirty (30) days, such additional time as is reasonably required to correct any such default after written notice has been given by Tenant to Landlord specifying the nature of Landlord's

alleged default. Notwithstanding any provision contained herein, in no event shall Landlord ever be liable to Tenant, or any person claiming by, through or under Tenant, for any special, indirect, incidental or consequential damages, or for any lost profits. Tenant shall have no right to terminate this Lease as a result of any breach or default by Landlord hereunder, except in the case of a wrongful eviction (constructive or actual) of the Tenant from the Premises by Landlord. In addition, Tenant shall have no right, as a result of any such breach or default, to offset or counterclaim against any Rent due hereunder.

11.7 Brokerage. Tenant warrants and represents that it has dealt with no broker in connection with the consummation of this Lease, other than the Broker, and in the event of any claims for a brokerage commission or finder's fee, of any kind, against Landlord predicated upon prior dealings with Tenant, Tenant agrees to defend the same and indemnify and hold Landlord harmless against any such claim. Landlord warrants and represents that it has dealt with no broker in connection with the consummation of this Lease, other than the Brokers, and in the event of any claims for a brokerage commission or finder's fee, of any kind, against Tenant predicated upon prior dealings with Landlord, Landlord agrees to defend the same and indemnify and hold Tenant harmless against any such claim. Landlord shall be responsible for paying the commission due to Brokers in connection with this Lease in accordance with a separate agreement or understanding between them.

11.8 Applicable Law and Construction. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts. If any provisions of this Lease shall to any extent be invalid, the remainder of this Lease shall not be affected thereby. There are no oral or written agreements between Landlord and Tenant affecting this Lease. This Lease may be amended, and the provisions hereof may be waived or modified, only by instruments in writing executed by Landlord and Tenant. The captions and titles of the several Articles and Sections contained herein are for convenience only and shall not be considered in construing this Lease. Unless repugnant to the context, the words "Landlord" and "Tenant" appearing in this Lease shall be construed to mean those named above and their respective heirs, executors, administrators, successors and assigns, and those claiming by, through or under them, respectively. If there be more than one tenant, the obligations imposed by this Lease upon Tenant shall be joint and several.

11.9 Delivery. This submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of or option for, the Premises, and this Lease shall not be binding upon Landlord or Tenant unless and until Landlord shall have executed and delivered a fully executed copy of this Lease to Tenant.

11.10 Rent. Notwithstanding anything to the contrary contained in this Lease, all charges and amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated Fixed Rent, Tax Excess, Operating

Cost Expense, Additional Rent or Rent, shall constitute rent for the purposes of Section 502(b)(6) of the United States Bankruptcy Code. In addition, notwithstanding anything to the contrary contained in this Lease, all charges and amounts payable by Tenant to or on behalf of Landlord under this Lease (excepting only Fixed Rent), whether or not expressly denominated Additional Rent, including, without limitation, Tax Excess, Operating Costs Excess, electricity charges, utility charges, and other fees and charges, shall be considered to be "Additional Rent" and in the event of non-payment thereof by Tenant Landlord shall have all of the rights and remedies as would accrue for non-payment of Fixed Rent.

11.11 Certain Interpretational Rules. For purposes of this Lease, whenever the words "include", "includes", or "including" are used, they shall be deemed to be followed by the words "without limitation" and, whenever the circumstances or the context requires, the singular shall be construed as the plural, the masculine shall be construed as the feminine and/or the neuter and vice versa. This Lease shall be interpreted and enforced without the aid of any canon, custom or rule of law requiring or suggesting construction against the party drafting or causing the drafting of the provision in question. The captions in this Lease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Lease or the intent of any provision hereof.

11.12 Parties Bound. The terms, covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of Landlord and Tenant and, except as otherwise provided in this Lease, to their respective legal representatives, successors, and assigns. Each term and each provision of this Lease to be performed by the Tenant shall be construed to be both a covenant and a condition.

11.13 Prevailing Party. In any action or proceeding brought by either party against the other under this Lease, if one party obtains a judgment on the merits in such action or proceeding, then prevailing party shall be entitled to recover from the other party its reasonable professional fees for attorneys, appraisers and accountants, its reasonable investigation costs, and any other reasonable legal expenses and actual court costs incurred by the prevailing party in such action or proceeding.

11.14 Back-Up Generator. As an appurtenance to the Premises, Tenant shall have the right, upon Tenant's request, to use up to 20KW of capacity of the emergency back-up electrical generator (the "Back-Up Generator") currently located in the Building. If Tenant so requests, then Tenant may, at its sole cost and expense, tie-into the Back-Up Generator, subject to the reasonable rules and guidelines adopted from time to time by Landlord with respect thereto, and to all applicable laws, codes, regulations and guidelines. Any and all work and improvements to be performed by Tenant to effectuate Tenant's tie-in to the Back-Up Generator (such as installing conduits and connections from the Back-Up Generator to the Premises) shall be considered to be an Alteration, shall be performed in accordance with the provisions of Section 6.2.5 of this Lease, and, unless

approved by Landlord in connection with approval of the Construction Documents for Tenant's Work pursuant to Section 3.3, shall be subject to Landlord's review and prior written approval in all respects. In the event Tenant elects to tie-into the Back-Up Generator, Tenant shall pay, as Additional Rent, within thirty (30) days after receipt of invoices therefor from Landlord, a pro rata share of the annual fuel and maintenance charges for the Back-Up Generator, which pro rata share shall be based on a ratio, the numerator of which is Tenant's total usage of Back-Up Generator capacity and the denominator of which is the aggregate usage of Back-Up Generator capacity at the applicable period of time; provided, however, Tenant's pro rata share of such annual fuel and maintenance charges for the Back-Up Generator payable hereunder shall not exceed $1,500.00 per year (the "Annual Generator Cost Cap"); provided, however, if either (a) in the event that the public utility provider has a power outage that results in a power outage at the Building for more than six (6) hours, or (b) Tenant otherwise elects to run the Back-Up Generator for more than six (6) consecutive hours, in which event, then the cost of fuel used for the Back-Up Generator during such outage or in excess of six (6) consecutive hours shall be excluded from the Annual Generator Cost Cap and Tenant shall pay its pro rata share for such fuel used for the Back-Up Generator during such outage based on the ratio above.

## ARTICLE 12
## Letter of Credit

12.1 Letter of Credit. Concurrent with Tenant's execution and delivery of this Lease, Tenant shall deliver to Landlord an irrevocable and unconditional standby letter of credit (the "**Original Letter of Credit**") which shall be: (i) in substantially the form attached hereto as Exhibit F, (ii) issued by a bank reasonably satisfactory to Landlord upon which presentment may be made in Boston, Massachusetts or which allows for presentment by facsimile, (iii) in an amount equal to the Letter of Credit Amount, (iv) for a term of not less than one (1) year, (v) permit multiple drawings, (vi) be freely and fully transferable by Landlord without payment of any fees or charges by Landlord, and (viii) otherwise in form and content satisfactory to Landlord. The Original Letter of Credit, any Additional Letters(s) of Credit, and any Substitute Letter(s) of Credit are referred to herein collectively as the "**Letter of Credit**." The Letter of Credit shall be held by Landlord as security for the performance by Tenant of its obligations under this Lease. The Letter of Credit is not an advance payment of Rent or a limitation upon the liability of Tenant hereunder. Landlord acknowledges that Silicon Valley Bank is an acceptable issuer of the Original Letter of Credit.

12.2 Renewal of Letter of Credit. Each Letter of Credit shall be automatically renewable for consecutive periods of one (1) year in accordance with the second to last paragraph of the Letter of Credit Form attached hereto as Exhibit F; provided however, if the issuer of such Letter of Credit gives notice of its election not to renew such Letter of Credit, then Tenant shall deliver to Landlord a new letter of credit (a "**Substitute Letter of Credit**") satisfying the requirements of

the Original Letter of Credit under Section 12.1 on or before the date thirty (30) days prior to the expiration of the term of the Letter of Credit then in effect. If Tenant fails timely to deliver to Landlord a Substitute Letter of Credit in accordance with the foregoing provisions, then Landlord shall have the right, at any time thereafter, without giving any further notice to Tenant, to draw down the Letter of Credit and to hold the proceeds thereof in a segregated account in the name of Landlord, which proceeds may be withdrawn and applied by Landlord under the same circumstances and for the same purposes as if such proceeds were a Letter of Credit. Upon any such application of such proceeds by Landlord, Tenant shall, within thirty (30) days of written demand therefor, deliver to Landlord an Additional Letter of Credit in the amount of proceeds so applied.

12.3 Draws to Cure Defaults. If Tenant breaches or defaults in any of its obligations under this Lease beyond the expiration of any applicable grace period, then without prejudice to or limiting any other rights or remedies of Landlord, Landlord shall have the right, at any time thereafter, to draw down from the Letter of Credit the amount necessary to cure such default. In the event of any such draw by the Landlord, within thirty (30) days of written demand therefor, Tenant shall deliver to Landlord an additional Letter of Credit ("**Additional Letter of Credit**") satisfying the requirements for the Original Letter of Credit set forth in Section 12.1, except that the amount of such Additional Letter of Credit shall be the amount of such draw.

12.4 Draws to Pay Damages. In addition, if (i) this Lease shall have been terminated as a result of Tenant's default under this Lease beyond the expiration of the applicable cure period, and/or (ii) this Lease shall have been rejected in a bankruptcy or other similar proceeding, then Landlord shall have the right at any time thereafter to draw down from the Letter of Credit an amount sufficient to pay any and all damages payable by Tenant on account of such termination or rejection, as the case may be, pursuant to Article 8 hereof.

12.5 Return of Letter of Credit at End of Term. Within thirty (30) days after the expiration of the Term, to the extent Landlord has not previously drawn upon any Letter of Credit held by Landlord, Landlord shall return the same to Tenant provided that Tenant is not then in default of any of its obligations under this Lease.

## ARTICLE 13
## Patriot Act

13.1 Patriot Act. As an inducement to Landlord to enter into this lease, Tenant hereby represents and warrants that: (i) Tenant is not, nor is it owned or controlled directly or indirectly by, any person, group, entity or nation named on any list issued by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") pursuant to Executive Order 13224 or any similar list or any law, order, rule or regulation or any Executive Order of the President of the United States as a terrorist, "Specially Designated National and Blocked Person"

or other banned or blocked person (any such person, group, entity or nation being hereinafter referred to as a "Prohibited Person"); (ii) Tenant is not (nor is it owned, controlled, directly or indirectly, by any person, group, entity or nation which is) acting directly or indirectly for or on behalf of any Prohibited Person; and (iii) neither Tenant (nor any person, group, entity or nation which owns or controls Tenant, directly or indirectly) has conducted or will conduct business or has engaged or will engage in any transaction or dealing with any Prohibited Person, including any assignment of this Lease or any subletting or all or any portion of the Premises or the making or receiving of any contribution or funds, goods or services to or for the benefit of a Prohibited Person. In connection with the foregoing, it is expressly understood and agreed that (x) any breach by Tenant of the foregoing representations and warranties shall be an Event of Default by Tenant under Article 8 above, and (y) the representations and warranties contained in this Article 13 shall be continuing in nature and shall survive the expiration or earlier termination of this Lease.

(Signatures on following page)

WITNESS the execution hereof on the day and year first above written.

Landlord:

255 STATE STREET, LLC, a Delaware limited liability company

By: Pembroke Real Estate, Inc., its manager

By: /s/ David Lucey
Name: David Lucey
Title: Senior Vice President

Tenant:

TOKAI PHARMACEUTICALS, INC. a Delaware corporation

By: /s/ John McBride
Name: John McBride
Title: COO

**EXHIBIT A**

**255 STATE STREET**
**BOSTON, MASSACHUSETTS**

**LEGAL DESCRIPTION**

**Parcel One**

That certain parcel of land situate in Boston in the County of Suffolk and Commonwealth of Massachusetts, bounded and described as follows:

| | |
|---|---|
| NORTHERLY | by the southerly line of State Street, one hundred sixty and 8/100 (160.08) feet; |
| EASTERLY | by the westerly line of Atlantic Avenue for a distance of seventy-five and 12/100 (75.12) feet south from said State Street, and by said Avenue fifty-six and 86/100 (56.86) feet for the rest of the distance to Central Street; |
| SOUTHERLY | by the northerly line of Central Street, one hundred thirty-six and 27/100 (136.27) feet; |
| WESTERLY | forty-five and 45/100 (45.45) feet; |
| NORTHERLY | sixty-seven hundredths (0.67) of a foot; |
| WESTERLY | thirty-eight and 85/100 (38.85) feet; |
| SOUTHERLY | sixty-seven hundredths (0.67) of a foot; and |
| WESTERLY | forty-five and 70/100 (45.70) feet, all by land now or formerly of Robert M. Burnett. |

All of said boundaries are determined by the Court to be located as shown on a plan drawn by Aspinwall & Lincoln, Civil Engineers, dated March 20, 1915, as approved by the Court, filed in the Land Registration Office as Plan No. 5360-A, a copy of a portion of which is filed with Certificate of Title No. 7462.

**Parcel Two**

That certain parcel of land situate in Boston in the County of Suffolk and Commonwealth of Massachusetts, bounded and described as follows:

Beginning at the intersection of the northerly property line of the New England Telephone & Telegraph Building and southerly street line of State St., thence running by property line of New England Telephone & Telegraph Building and former street line of relocated Atlantic Avenue in a southerly direction a distance of thirteen and fifty-seven hundredths (13.57') feet to the point of beginning of land to be conveyed; thence continuing along former street line of relocated

Atlantic Avenue in a southerly direction a distance of sixty and ninety-nine hundredths (60.99') feet to the angle point of new street line of relocated Atlantic Avenue and former street line of relocated Atlantic Avenue;

thence continuing by street line of relocated Atlantic Avenue (back of sidewalk) S11°-51'-40"E a distance of fifty-five and fifty hundredths (55.50') feet;

thence turning in a westerly direction by southerly property line and building line of New England Telephone & Telegraph a distance of one and sixty-hundredths (1.60') feet;

thence turning and running N12°-38'46"W a distance of forty-five and forty-five hundredths (45.45') feet by the property line to a jogpoint;

thence turning on a ninety degree angle in a westerly direction by said property line, sixty-seven hundredths (0.67') feet;

thence turning and running N12°-38'-46"W a distance of thirty-eight and eighty-five hundredths (38.85') feet by said property line;

thence turning on a ninety degree angle by said property line in an easterly direction a distance of sixty-seven hundredths (0.67') feet;

thence turning and running by said property line N12°-38'-46"W a distance of thirty-two and twenty-hundredths (32.20') feet to a point of beginning of land to be conveyed to New England Telephone and Telegraph Co.

Said parcel of land containing an area of one hundred nineteen and one-tenth (119.1 s.f.) square feet, more or less.

Said Second parcel is shown on a plan entitled "Boston Redevelopment Authority Downtown Waterfront Faneuil Hall Project Mass R-77, Delivery Parcel Plan - Land To Be Conveyed to New England Telephone and Telegraph Company" dated September 30, 1980 and recorded in Book 9846, Page 257.

**EXHIBIT B**

**PLAN SHOWING THE PREMISES**

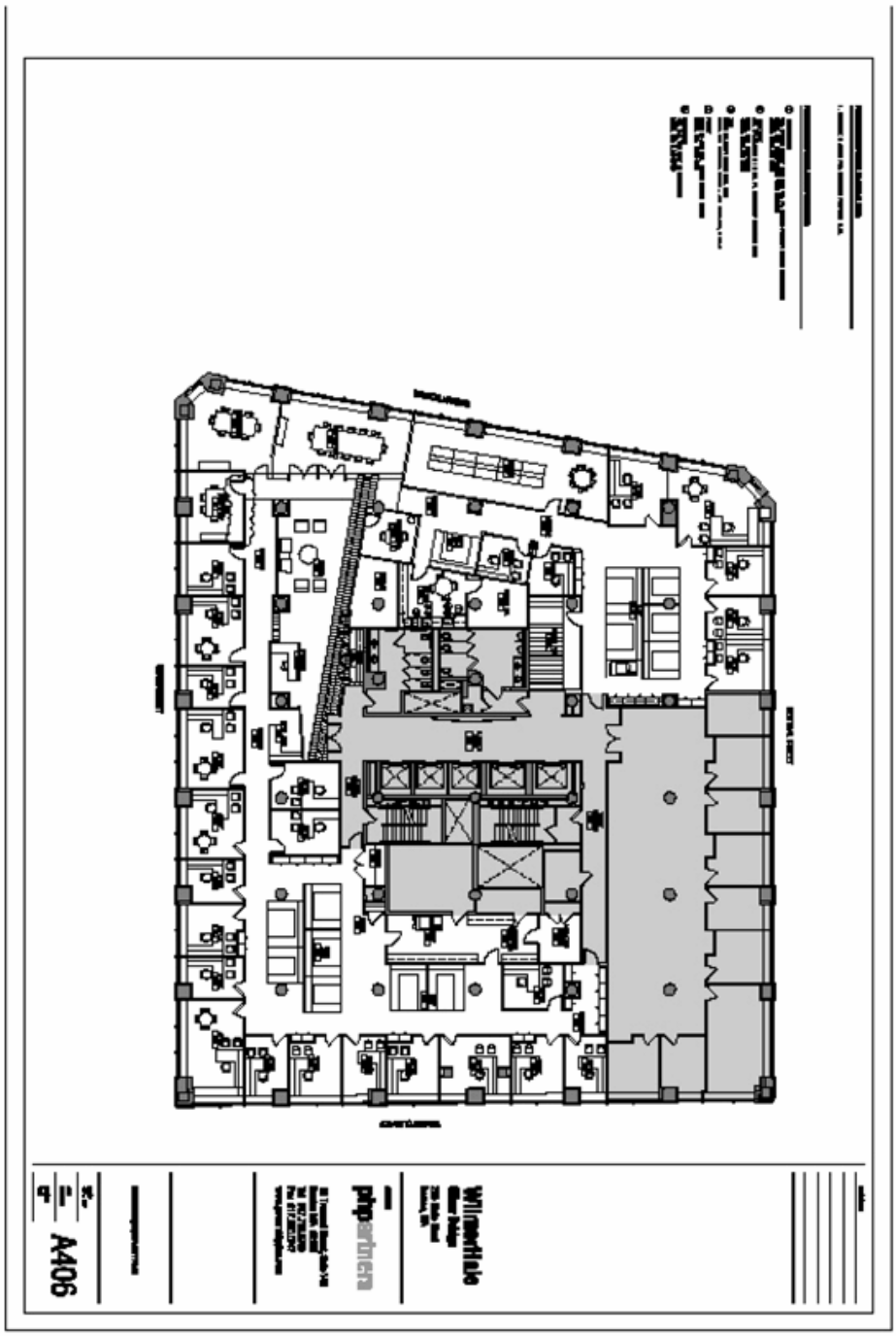

**EXHIBIT C**

**COMMENCEMENT DATE AGREEMENT**

("Landlord") and ("Tenant") are parties to a lease ("Lease") dated of premises in a building known as 255 State Street, Boston, Massachusetts. Landlord and Tenant hereby acknowledge and agree that the term of the Lease commenced on and will end on unless extended or earlier terminated pursuant to provisions set forth in the Lease, and the Commencement Date occurred on .

Executed under seal this day of , 201 .

LANDLORD:

By: _____
Its:

TENANT:

By: _____
Its:

**EXHIBIT D**

**CLEANING SPECIFICATIONS**

I. Interior Tenant Areas

**Nightly Monday through Friday, excluding holidays**

1. Dust mop all stone, ceramic tile, terrazzo and other type of un-waxed flooring.

2. Dust mop all vinyl, asphalt, rubber and similar types of flooring. Remove gum and other substances, spot mop if necessary.

3. Vacuum all carpeted areas.

4. Dust mop all private and public stairways and vacuum if carpeted.

5. Hand dust and wipe clean all horizontal surfaces including furniture, file cabinets, fixtures, and windowsills, using chemically treated dust cloth.

6. Remove fingerprints from all painted surfaces near light switches, entrance doors, drinking fountains, etc.

7. Remove all gum and foreign matter on sight.

8. Empty and clean all waste receptacles and remove waste materials to compactors. Replace liners as necessary.

9. Damp wash interiors of all waste disposal receptacles and wash as necessary.

10. Clean and sanitize all water fountains, and water coolers with a disinfectant solution. Wash all sinks and the floors adjacent to them on a nightly basis.

11. Spot mop floors for spills, etc.

12. Clean all low ledges, shelves, bookcases, chair rails, trim, pictures, charts etc. within reach.

13. Clean mirrors, metal work, glass tabletops.

14. Upon completion of work, all slop sinks are to be thoroughly cleaned and all cleaning equipment and supplies stored neatly in locations designated by the Management of the building.

15. All cleaning operations shall be scheduled so that a minimum of lights are to be left on at any time. Upon completion of cleaning all lights are to be turned off. All entrance doors are to be kept locked during the cleaning operation.

16. Spot clean both sides of tenant entry glass doors.

17. Spot clean desk tops and counter tops.

18. Pick up all recyclable material and take to appropriate place.

**Weekly**

1. Hand dust all door louvers and other ventilating louvers within reach.

2. Dust all baseboards.

3. In high traffic areas, damp mop if necessary and apply spray-buffing solution in a fine mist and buff with a synthetic pad.

4. Damp mop all non-carpeted and public stairways.

5. Wipe clean all bright work.

6. Dust all chair rails.

7. Dust walls up to normal reach.

**Monthly**

1. Hose vacuum underneath all furniture.

2. Dust all vertical surfaces such as walls, furniture, partitions and surfaces not reached in nightly cleaning.

3. Dust exterior of lighting fixtures.

**Quarterly**

1. Dust all exterior window blinds

2. Dust and/or clean all diffusers

**Other**

1. Cleaning of computer rooms will be responsibility of individual tenants.

2. Coffee stations and dishware are responsibility of the tenant.

II. Public Corridors, Stairwells (Emergency Egress), Service Areas

**Nightly**

1. Vacuum and spot clean carpeting.

2. Sweep and mop public concrete floors.

3. Sweep and mop public stairwells and landings.

4. Clean baseboards of scuffs and marks.

5. Clean all directories, signage kiosks, wall signage and electric kiosks.

6. Clean corridor glass and metal work.

7. Spot clean walls, ceilings, lights, etc.

8. Clean telephones and telephone booth areas.

9. Dust all handrails.

10. Dust to hand height all horizontal surfaces of equipment ledge, sill, shelves, radiators, frames, partitions, handrails, etc.

11. Clean exterior surfaces of all trash containers and planters.

12. Keep slop sinks, closets, supply rooms and other janitorial areas in a clean orderly condition.

13. Keep electrical and telephone closets clean and free of storage.

**Weekly**

1. Clean all door vents.

2. Dust all vertical surfaces within reach.

3. Sweep emergency egress stairs and landings.

**Monthly**

1. Wash all corridor glass and metal completely including atriums.

2. Shampoo heavily traveled carpeted areas.

**Quarterly**

1. Clean handrails, wall mounted equipment casings, landings, walls, kick plates in emergency egresses.

2. Shampoo and extract all carpeting.

3. Damp clean inside reflectors of high hat lighting fixtures.

III. Restrooms

Building Operating Hours

Day porters and matrons will be assigned to perform the following:

1. Empty trash containers and insert new liners.

2. Sweep and spot wash floors as necessary.

3. Spot clean sinks and mirrors. Clean and spot polish shelves and metal dispensers. Check for Graffiti and spot clean if necessary.

4. Ensure cleanliness of urinals and toilets.

5. Refill all dispenser units as needed.

Non-Operating Hours

1. Damp wash, sanitize (using disinfectant solution) and polish all fixtures including toilet bowls, urinals and wash basins.

2. Sweep and wash floors with approved germicidal solution.

3. Wash and polish mirrors, powder shelves, dispensers, hand dryers, bright work including flushometers, piping and toilet seat hinges.

4. Clean and sanitize both sides of toilet seats.

5. Empty all containers and disposal units and insert new liners.

6. Wash and sanitize interiors and exteriors of all containers prior to inserting new liners.

7. Empty, clean and sanitize all sanitary napkin disposal units.

8. Dust and spot wash where necessary partitions, tile walls, dispensers, ceiling lights, switches and receptacles.

9. Refill all dispensers to normal limits including sanitary supplies, soap, tissue, towels, etc.

10. Remove all rubbish and transport to compactor.

11. Dust ceiling door vents and doorframes.

Periodic

Monthly

1. Machine scrub all tile floors, hand brush corners and hand brush toilet edges with approved germicidal detergent solution.

2. Wash completely all partitions, tile walls and enamel surfaces.

IV. Window Cleaning

Periodic

Windows will be washed and cleaned a minimum of two times per year.

**EXHIBIT E**

**RULES AND REGULATIONS**

1. The sidewalks, entrances, passages, corridors, vestibules, halls, elevators, or stairways in or about the Building shall not be obstructed by Tenant.

2. Tenant shall not place objects against glass partitions, doors or windows which would be unsightly from the Building corridor or from the exterior of the Building. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the premises, unless electrical holdbacks have been installed.

3. Tenant shall not waste electricity or water in the Building premises and shall cooperate fully with Landlord to assure the most effective operation of the Building heating and air conditioning systems. All regulating and adjusting of heating and air-conditioning apparatus shall be done by the Landlord's agents or employees. Tenant shall not use or keep in or on the Premises or the Building any kerosene, gasoline or other inflammable or combustible fluid or materials other than as permitted under the Lease.

4. Tenant shall not use the Premises so as to cause any increase above normal insurance premiums on the Building.

5. No bicycles, vehicles, or animals (except guide dogs for the disabled) of any kind shall be brought into or kept in or about the Premises. Any bicycles brought into the Building shall enter through the loading dock area and stored in the basement of the Building. No space in the Building shall be used for manufacturing or for the sale of merchandise of any kind at auction or for storage thereof preliminary to such sale.

6. Tenant shall cooperate with Landlord in minimizing loss and risk thereof from fire and associated perils.

7. The water and wash closets and other plumbing fixtures shall not be used for any purposes other than those for which they were designed and constructed and no sweepings, rubbish, rags, acid or like substance shall be deposited therein. All damages resulting from any misuse of the fixtures shall be borne by the Tenant.

8. Landlord may from time to time adopt appropriate systems and procedures for the security or safety of the Building, any persons occupying, using, or entering the Building, or any equipment, finishings, or contents of the Building, and Tenant will comply with Landlord's reasonable requirements relative to such systems and procedures.

9. No cooking will be done or permitted by Tenant within the Premises, except in areas of the Premises which are specifically constructed for cooking and except that use by the tenant of microwave ovens and Underwriters' Laboratory approved equipment for brewing coffee, tea, hot chocolate, and similar beverages will be permitted, provided that such use is in accordance with all applicable federal, state, and city laws, codes, ordinances, rules, and regulations.

10. The elevator designated for freight by Landlord will be available for use by all tenants in the Building during the hours and pursuant to such procedures as Landlord may determine from time to time. The persons employed to move Tenant's equipment, material, furniture, or other property in or out of the Building must be acceptable to Landlord. All moving operations will be conducted at such times and in such a manner as Landlord will direct, and all moving will take place during non-Business Hours unless Landlord agrees in writing otherwise.

11. All deliveries to, and removals from the building of furniture, equipment and supplies, shall be by way of the loading dock, located on Central Street. Delivery trucks larger than 25 feet, or those that have tailgates are prohibited to use the loading dock. It is recommended that these box trucks park along Central Street and utilize the scissor lift located in the east loading dock bay.

12. All incoming and outgoing shipments must be moved directly, by the delivery or pick-up agent from the delivery entrance; such shipments will not be held at the delivery entrance. Building operating personnel are not authorized to sign receipt for shipments to or from the Building.

13. No hand truck, pallet truck or other type of wheeled transport shall be used in the lobbies, corridors or elevators of the Building.

14. Any damage to the Building or any part thereof caused by the moving in or out of the Building of furniture, equipment, supplies, or other items, shall be repaired by the Landlord at the expense of the responsible Tenant.

15. The property management office reserves the right to control and operate the public portions of the Building and the public facilities, as well as the facilities furnished for the common use for the Tenant, in such manner, as they deem best of the tenants.

16. No additional locks or bolts of any kind shall be placed upon any of the doors in any Tenant's premises, and no lock on any door therein shall be changed or altered in any respect without property management approval.

17. Building security will provide access to building electric closets only. Tenant will be required to notify the Property Management Office should a vendor require access to the 255 State Street electric closets.

18. Tenant acknowledges that the Building has been designated a non-smoking building. At no time shall Tenant permit its agents, employees, contractors, guests or invitees to smoke in the Building. Landlord has specified smoking areas to be 25' from the south lobby entrance, located on the Central Street side of the Building.

19. Landlord reserves the right at any time and from time-to-time to rescind, alter or waive any rule or regulation at any time prescribed for the Building, and to impose

additional reasonable rules and regulations when in its judgment deems it necessary, desirable or proper for its best interest and for the best interest of the tenants. Landlord shall give Tenant notice of any such additional rules and regulations at the time adopted or imposed by Landlord. No alteration or waiver of any rule or regulation in favor of one tenant shall operate as an alteration or waiver in favor of any other tenant. Landlord shall not be responsible to any tenant for the nonobservance or violation by any other tenant of any rules or regulations at any time prescribed for the Building or any part thereof. In the event of any conflict of inconsistency between the foregoing Lease and such rules and regulations, the Lease shall govern and control.

**EXHIBIT F**

**STANDARD TENANT FIT-OUT SPECIFICATIONS FOR 255 STATE STREET**

**Introduction**

This Standard Tenant Fit-out Specification has been prepared for the purpose of communicating expectations and minimum requirements for the design and construction of Tenant Fit-Outs. Landlord may impose additional requirements in connection with particular fit-out by tenant.

The Landlord will provide the Tenant with available architectural and MEP drawings for use in planning. The Tenant's consultants are responsible for field verifying existing conditions which may impact their fitout. The Tenant's consultants shall provide architectural/engineering services and documentation necessary for the design, permitting and construction of a Building Standard space. Tenant's architectural and engineering designs shall conform to all applicable regulations including but not limited to ADA and local building codes.

The build-out shall conform to the building standards established from time-to-time by the Landlord.

**Reuse/Second Generation Space**: Where minor cosmetic improvements are planned to modify an existing space formerly fit-out and occupied by a tenant, the existing conditions may prevail as the standard. An inspection will occur between Landlord and Tenant to confirm the scope of improvements and determine the usefulness of existing fit-out components.

**Landlord Review**

The Tenant's design documents are to be reviewed and approved by the Landlord/Landlord's Agents before permitting and commencing of such work in accordance with the Lease. Landlord's review is to confirm compliance with building standards and expectations and does not imply approval for any code or regulatory issues.

Prior to enclosing any work affecting the building systems (MEP, structural, etc), the Landlord and its consultants will review the work and produce punch list items where necessary. The Tenant will provide the Landlord with reasonable advance notice for review. Landlord will also have the opportunity to review work affecting common spaces and produce punch list items where required.

Upon completion, the Tenant's Contractor shall provide the Landlord with a complete set of electronic CAD as-built plans in AutoCad (.dwg) format including: architectural floor and ceiling plans, electrical, mechanical, fire-sprinkler and plumbing plans, and a certified air balance report. Additionally, copies of operational manuals for MEP equipment, related warranties, etc. should be provided.

**Substitutions**: The information given here and any manufacturers listed are intended to provide minimum quality levels for construction standards. Substitutions will be considered but must be approved in writing by the Landlord or Landlord's Agent.

**Coordination with Landlord**

**Logistics Plan and Schedule**

A preconstruction meeting will be required that includes the Tenant's representatives and contractor as well as the Landlord/Landlord's agents to review logistics and schedule. The logistics plan should address any potential issues that have an effect on the common spaces, building operations or other tenants. These include but are not limited to deliveries, staging, protection, dust/odor control, hours of operation, noise, cleaning, security/access, service shut-downs/tie-ins, etc).

The Tenant's Contractor shall provide timely, regular updates to the Landlord/Landlord's agent on the progress of the construction, issues affecting the schedule/logistics plan or any other issues that affect the job as it progresses. Landlord's agent will have the opportunity to attend regular construction meetings regarding the Tenant fit-out work.

**Protection/ Cleaning**

Tenant's Contractor is to perform routine job site cleaning to maintain a safe and clean working environment and to not interfere with any other Tenant's space or building common areas (i.e. corridors, lobby, elevators, etc). No materials or debris shall be stored at any time in any common areas.

The Tenant's Contractor shall prevent damage as well as the spread of dust, fumes, noise, etc. by properly protecting the common areas or other Tenants spaces. Contractor shall prepare and execute an Indoor Air Quality Management Plan that complies with the recommended Design Approaches of the Sheet Metal and Air Conditioning National Contractors Association (SMACNA) IAQ Guideline for Occupied Buildings Under Construction, 1995, Chapter 3.

Any damage that may occur as a result of the fit-out shall be cured by the Tenant at no cost to Landlord and returned to existing conditions in accordance with Landlord's approval.

**Shutdowns**

In the event that any interruptions are required to building services or operations (e.g. shutdowns for tie-ins, testing, etc.) the Tenant's Contractor shall provide a minimum advance notice of 5 business days to the Landlord's Agent in order to facilitate coordination. Shutdowns will be outside of regular business hours.

**Permits/fees**

All local building permit and inspection fees connected to the fit-out project shall be secured and paid by the Tenant's Contractor. It is also the responsibility of the Tenant's Contractor to coordinate all necessary inspections by the particular governmental authorities in order to obtain a final Certificate of Occupancy. All necessary permits must be prominently posted at the site.

**Guarantee**

Tenant's Contractor agrees that performance of work under this Contract shall be guaranteed free of defective materials and poor workmanship for a minimum period of (1) one year from final Certificate of Occupancy date. Contractor shall also provide Landlord with copies of any applicable manufacturer's warranties and operations manuals at the completion of the project.

**Insurance Certificates**

Prior to any execution of work on site, the Tenant's general contractor and subcontractors shall supply current insurance certificates to the Landlord. Confirm the following as per 255 State Street standard contracts:

☐ Amount and type of required coverage's.

☐ Correct project name and address.

☐ 255 State Street LLC, FMR Corp, Pembroke Real Estate, Inc., CB Richard Ellis-New England Partners LP named as additional insured.

☐ Expiration date covers project duration.

**Demolition, Waste Management**

All existing conditions as indicated on the Construction Documents (i.e. partitions, ceiling, doors, carpet, HVAC, wiring, etc.) to be removed shall be disposed of by the Contractor in a lawful manner. "Remove" shall mean completely and entirely from the building and property unless otherwise noted by Landlord.

Contractor shall be responsible for terminating all electrical, data, telephone and plumbing where items are removed in order to leave the space in a safe and code compliant manner. Contractor shall note terminated utilities on the as built-drawings.

Each project shall have a plan to recycle construction waste to the maximum extent possible. Contractor shall develop and implement a construction waste management plan, quantifying material diversion goal of at minimum 50% by weight of construction, demolition and packaging debris by recycling and/or salvaging.

**Materials and Specifications – Architectural**

**Tenant Entry Doors and Hardware**

Multi-floor tenant entries shall consist of 3' x 8' solid core door (1-3/4 inch thick) with anegre veneer (stained to match approved sample) with tempered glass sidelight 2'6" x 8'. Door frames to be painted metal to match building standard color. Where required, closers shall be surface mounted painted to match the door frame.

Hardware shall consist of Schlage L-Series mortise lock (Lever Model: 12 605 with small rose), two pair butt hinges, closer, silencer, floor stop, all in brushed stainless steel finish. All hardware shall have interchangeable cores manufactured by Sergeant HB Series sequence 48D order #1-07087 through Pasek Lock Company. Any security requirements of the Tenant must be reviewed by Landlord.

Single floor tenant entrances may vary from the Building Standard, subject to, Landlord's prior review and approval.

**Card Access System and Suite Keys**

All Security Cards must be "Proximity" type #1690207 to be compatible with the base building system.

Tenant's Contractor to supply (5) five keys, unless specified otherwise, to Landlord to be keyed on Landlord's master using Landlord's approved keying vendor.

**Partitions at Windows**

Partitions should align with center lines of vertical window mullions and avoid offsets that are exposed to the exterior. Exceptions to be reviewed and approved by Landlord.

**Perimeter Ceiling Soffits**

Dropped ceilings lower than the exterior window head height shall have painted drywall soffits and shall be installed no closer to the window frame than 24". Soffits must be constructed of drywall, all other materials including ACT is not acceptable.

**Ceiling Tile**

24" x 24" Ultima by Armstrong with a Beveled Tegular edge to coordinate with the standard suspension system. Color-White.

**Window Blinds**

Exterior Window blinds are Riviera Classic 1" wide horizontal aluminum slats by Levolor Corporation, Color: white. No window film is permitted on exterior glass.

**Wood Blocking**

Contractor shall provide proper blocking/plywood for all wall openings for mechanical, electrical and architectural features (i.e. shelving, doors, stops, toilet partitions, restroom accessories, and kitchen accessories to be installed in or on walls. Blocking/Plywood shall be fire rated where required. All composite and substrate wood such as plywood or MDF shall not contain added urea-formaldehyde resins.

**VOC Limitations (Paints, Adhesives, Sealants and Sealant Primers)**

For all interior applications, incorporate VOC material limits as outlined in South Coast Air Quality Management District (SCAQMD) Rule #1168. (See APAC Adhesives example below).

**Paint**

Paint shall be certified low odor, low VOC as manufactured by Benjamin Moore, ICI or approved equal.

**Signage**

All signage visible from common areas (including single tenant floor entrances) must be approved by the Landlord. No signage shall be visible from the exterior of the building.

Signage locations in common areas:

- Main Lobby: Main lobby directory provided by Landlord.
- Multi Tenant Elevator Lobby Signage: Elevator lobby directory provided by Landlord.
- Tenant Entry Signage at Multi-Tenant Lobby Floors: Signage review and approval required by Landlord.
- Full Floor Tenant Entry Signage: Signage review and approval required by Landlord.

**Appliances**

All appliances are the responsibility of the tenant and are to be EnergyStar rated.

**Materials and Specifications – Heating, Ventilation & Air Conditioning**

**General**

Heat and air-conditioning is supplied to the floor by means of perimeter Titus DFCL series fan powered boxes and interior Titus DFCL series fan powered boxes. The fan powered boxes all work in conjunction with the ring duct that supplies primary air to the floor's core area. The ring duct is considered to be a base building item and is provided by the owner. All branch lines off of the ring duct, fan powered boxes, and exhaust fans (if not existing) are tenant related expenses. Base Building Wall-mounted thermostats are TAC Model #ACI/10K-TAC. Any alteration to this configuration is a tenant expense.

The Building Management System "BMS" is a BMS Network by TAC Inc., the base building controls contractor.

All spaces shall be balanced for heating and cooling efficiency and maximum comfort. Contractor to provide Landlord with Certified Balancing report prepared by N.E.B.B. certified contractor.

The selection of HVAC equipment (fan powered boxes, heat pumps, etc) is to be approved by Landlord. It will be the responsibility of the Tenant's Contractor to coordinate with the Landlord during bid process.

HVAC subcontractor to provide mechanical schematic and design with bid for review and approval by Landlord. Tenant's Contractor to provide CAD as-built diagrams of new space serviced by HVAC and (1) one copy of all warranty and maintenance manuals upon completion of job, the closeout package.

**Zoning**

Provide appropriate zoning according to the following guidelines:

Interior Zones – interior zones must be separate from perimeter zones. The particular zones will be determined by the design team and will be based on the space layout.

Private Offices – must have active controls to modulate the system when the space is unoccupied.

Kitchens, Conference Rooms, etc. - must have active controls to modulate the system when the space is unoccupied.

Demand controlled ventilation (DCV) should be considered in large, variable occupancies to avoid conditioning outdoor air when the space is partially or completely unoccupied. DCV is typically achieved by using wall mounted Carbon Dioxide (CO2) Sensors.

**Ductwork Distribution**

All medium pressure, high pressure, flex, changes and additions must be approved by Landlord.

All ductwork from trunk line shall have volume dampers installed.

Fire dampers must be installed through any demising wall that may be affected.

Runs of flex duct are not to exceed ten (10) feet, and shall comply with all code and industry requirements. Stove pipe aluminum extension from hard duct is allowed so long as it is insulated. All flex duct to be insulated.

All enclosed rooms to have at least one supply air diffuser and one return (excluding closets). All square diffusers must be louvered faced. Undercut doors may be considered a return depending on the carpet weight. All transfer grills to have two 90 degree angles between openings and must be insulated.

**Duct Construction**

Gage, pressure, material, class hanging methods, sealing, etc. changes and additions must be approved by Landlord.

All sealants to meet VOC material limits as outlined in South Coast Air Quality Management District (SCAQMD) Rule #1168.

Coordinate all work with Indoor Air Quality Management Plan as per Division One “Protection” including capping ductwork.

All hard ductwork shall be galvanized sheet metal per SMACNA standards. Hard duct (excluding returns) must be insulated with external duct wrap (1/2” or better). Any interior acoustical duct shall be lined with sheet metal. All un-insulated existing metal ductwork shall be insulated with external duct wrap.

**Duct Insulation**

Size, material, R-value, lining, etc changes and additions must be approved by Landlord.

**Fan Powered Boxes**

Manufacturer and type: Titus DFCL Series. All office spaces shall have variable air volume, multi-zoned HVAC systems unless otherwise approved by Landlord. All boxes shall be Titus or equivalent quality and all perimeter VAV boxes shall be fan powered with electric heat as required.

**Diffusers**

Manufacturer and type: Titus.

**Linear Diffusers**

Manufacturer and type: Titus.

**Return Diffusers**

Manufacturer and type: Titus, concealed type.

**Thermostats**

Manufacturer and type: TAC Model #ACI/10K-TAC.

**Controls/Energy Management System**

All thermostats shall be manufactured by TAC and all final connections will be scheduled with Property Management for work to be performed by the base building controls contractor, TAC, Inc.

**Duct Hanging Methods**

Must comply with all SMACNA standards.

**Data/IDF Room Cooling**

All split system units shall be Trane or equivalent quality and designed for each space and specific use as required.

**Materials and Specifications – Electrical**

Switches, Outlets & Devices

All switches, plates and devices shall be white. Office switching device shall be occupancy sensor type manufactured by Leviton or equivalent.

**Smoke Detectors**

Smoke Detectors shall be installed where required by code or at the direction of the building department and/or fire department. Final tie-in of all devices to the base building fire alarm system will be coordinated with Property Management and performed by the base building fire alarm contractor. All devices must be compatible with the Notifier AM2020/AFP1010 base building fire alarm system.

**Fire Alarm Annunciator/Strobe**

Fire Alarm Speaker/Strobes shall be installed where required by code or at the direction of the building department and/or fire department and shall be compatible with the Notifier AM2020/AFP1010 base building fire alarm system. Final tie-in of all devices to the base building fire alarm system will be coordinated with Property Management and performed by the base building fire alarm contractor.

**Power Panels: Power Receptacles**

The base building power panels are GE Spectra Series / "A" Series. All electrical equipment shall be installed as per local or national code. Tenant's electrical equipment and wiring/conduits shall be clearly labeled.

**Power Disconnects/Distribution System**

The base building electric disconnects are GE Spectra RMS Bus Plug / Hi-Break type.

**Meters**

Office space and office floors not metered by NStar, the local utility will require a tenant check meter. Tenant check meters will be manufactured by E-mon Demon or equal.

**Lighting Fixtures**

General office lighting shall be high-performance, energy efficient fluorescent light fixture 2 x 2 Direct/Indirect fluorescent fixtures (T8 lamps). Recessed downlights to be compact fluorescent light fixtures.

**Re-lamp Second Generation Space**

If existing lighting is T-12 then Contractor shall inform Landlord for approval of re-lamping with F32 T-8 electronic ballast light lens with #841 tubes or other more energy efficient lighting fixture. Landlord shall approve all re-lamping bulbs, ballasts and fixtures so as to obtain a standard throughout the building.

**Exit Signs**

Lithonia Precise Edge-Lit Green LED exit lights. Locate exit lighting in tenant areas as directed by architect.

**Telephone/ Data Rooms**

The Tenant is required to provide all individual tel/data equipment in an area other than the building Tel/Data Closet. The Tenant must provide plywood backboards for mounting of required equipment. Tenant tel/data wiring and equipment shall be clearly labeled.

**Communications Rough-ins**

Tel/Data Communications equipment and installation shall remain the responsibility of the Tenant. Rough-ins can be coordinated with the tenant buildout, but is the responsibility of the Tenant. All communications wiring that is installed by the tenant above the ceiling shall be plenum rated and shall be suspended from the slab above. All wiring shall conform to applicable codes. Demolition of obsolete wiring is the responsibility of the Tenant. Pipes and conduits shall avoid adjacent tenant spaces and those that pass through common core building areas must be labeled with Tenant's name and use.

**Telephone Outlets**

Contractor to provide outlets with conduit to above ceiling along with pull cord. Tenant will make arrangements with and pay for telephone and data cabling installation within the demised premises and will cause phone installation work to be performed at a time compatible with Landlord's work. Telephone and data cabling installation shall be in compliance with all local, state and federal code requirements. Telephone and data cabling contractor must be licensed. Telephone and/or data cabling contractor shall provide copies of installer's license, electrical exemption certificate, permits and municipal approvals to Contractor and Landlord.

(A.) All old or unusable above ceiling and in-wall communication lines must be removed and disposed of prior to installation of new lines.

(B.) All wiring shall be plenum fire rated wire.

**Materials and Specifications – Fire Protection and Plumbing**

**Fire Protection**

Provide all alarms, horn strobes and bells (including replacement of existing product) to comply with all NFPA ADA, local Fire Marshall and other applicable codes and regulations. Landlord's authorized contractor to be used for the above work. Landlord requires (48) forty-eight hours notice to put the building on test for installation purposes.

**Sprinkler**

Relocate or add sprinkler heads to meet all applicable codes and regulations. Review with Landlord any insurance requirements that may affect the sprinkler system. All heads are concealed type and locations shall meet low and high hazard areas as required. For installation/relocation purposes, Landlord requires (48) forty-eight hours notice to put the building on test.

**Fire Extinguishers**

Fire extinguishers shall be installed where required by the local fire department. Where space allows flush, recessed extinguisher cabinets shall be provided. If space is not available, surface-mounted fire extinguishers shall be installed.

**Hot water tank**

Hot water point of use and under the counter instant hot tanks must be accessible from all sides for repair and maintenance. All new point of use and instant hot water tanks shall be monitored by Leak Detection and have drip pans mounted below with drainage.

**General Base Building Information**

**Number of Floors**

12 Floors

**Corridor & Typical Tenant Suite Standard Finishes**

Each floor is an open floor environment with approximately 10' 4" foot clearance from top of slab to underside of the deck above. Building standard ceiling height is approximately 8'-2". Core walls and exterior columns are drywall finished and are in paint-ready condition. Window soffits and perimeter induction covers are in place and are in paint-ready condition. The concrete floor slab is skimmed as required and made ready to receive carpet or other flooring.

Individual floor lobbies are built to tenant specifications with Landlord review and approval. Multi-tenant floors are built to building standards and are compliant with the most recent fire code for multi-tenant floors.

**Structural**

Office Floor Loading is designed for:

| | |
|---|---|
| Live Load | 80psf |
| Partition Load | 20psf |
| TOTAL | 100psf |

No coring of the floor is permitted without prior approval by the Landlord/ Landlord's agent. X-ray verification shall be performed to verify the location of any obstructions/reinforcements.

The Landlord will provide a F(F) factor of 15-20 in accordance with the F-number system provided by the American Concrete Institute for the Specification and measurement of concrete floor flatness and levelness.

**Elevators**

The building has five (5) passenger elevators and two freight elevators Freight Elevator #6 can accommodate up to 2,500 pounds, and materials up to 16' in length. Freight/Passenger Elevator #4 can accommodate up to 3,000 pounds, and materials up to 16' in length with hatch access only (requires two elevator mechanics, cost incurred by tenant).

**Loading Dock & Parking**

The building loading dock is located on Central Street side of the building. The loading dock is staffed by security 5:00 AM to 6:00 PM Monday – Friday and Saturdays between 7:00 AM to 1:00 PM. The dock can accommodate one truck up to 24' in length with an overhead clearance of up to 10 ' 6". Tailgate deliveries allowed with street parking only and must be coordinated with Property Management.

**Emergency Generator/Back-up Power**

The building has (1) one emergency diesel powered generator to power the base building's life safety systems, elevators and emergency lighting and is located on the roof of the building.

**Base Building Engineer**

R.G. Vanderweil Engineering.

**HVAC System**

The HVAC system consists of Trane; floor mounted, water cooled, self contained units.

**Cooling Tower**

700 Tons, multi-celled.

**Economizer Mode**

Delivers chilled water at 45 degrees Fahrenheit when outdoor conditions permit.

**Heat Pumps**

All supplemental heat pumps that do not have economizer coils must be extended range type.

**Fresh Air**

Outdoor air is delivered at a rate of 20/CFM per person based on one person per 150 usable square feet, as per BOCA National Mechanical Code.

**HVAC Equipment (each floor)**

Each office floor will be served by a 55 ton water-cooled package air conditioning unit, with one set of (2) two compressors and a water side economizer coil.

**Floor Distribution**

Air distribution is provided by variable air volume (VAV) boxes. The VAV boxes are equipped with electric heating coils and built-in transformer controls.

**Plumbing**

Two wet stacks are available, (1) one is off the woman's toilet room plumbing chase and (2) two is at the elevator core on each floor for waste tie-ins. Domestic water connections are off the woman's room plumbing chase.

**Glazing**

Thermally efficient insulated glazing system.

**Main Telephone Room**

Located in the basement. Fiber optic service is available.

**EXHIBIT G**

[Intentionally Deleted]

**EXHIBIT H**

**FORM OF**
**SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT**

This SUBORDINATION, NONDISTURBANCE, AND ATTORNMENT AGREEMENT (this "Agreement") is entered into as of , 2015 (the "Effective Date"), between BANK OF AMERICA, N.A., a national banking association, whose address is 225 Franklin Street, Boston, Massachusetts 02110, Attention: Commercial Real Estate Banking ("Mortgagee"), and , a , whose address is ("Tenant"), with reference to the following facts:

A. 255 STATE STREET LLC, a Delaware limited liability company whose address is ("Landlord"), owns certain real property located in 255 State Street, Boston, Massachusetts (such real property, including all buildings, improvements, structures and fixtures located thereon, "Landlord's Premises"), as more particularly described in **Schedule A**.

B. Mortgagee has made a loan to Landlord in the original principal amount of $43,000,000.00 (the "Loan").

C. To secure the Loan, Landlord has encumbered Landlord's Premises by entering into that certain Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated April 3, 2013, for the benefit of Mortgagee (as amended, increased, renewed, extended, spread, consolidated, severed, restated, or otherwise changed from time to time, the "Mortgage") recorded or to be recorded in the Public Records of Suffolk County, Massachusetts (the "Land Records").

D. Pursuant to a Lease, dated as of , 20 (the "Lease"); Landlord demised to Tenant a portion of Landlord's Premises ("Tenant's Premises"). Tenant's Premises are commonly known as .

E. Tenant and Mortgagee desire to agree upon the relative priorities of their interests in Landlord's Premises and their rights and obligations if certain events occur.

**NOW, THEREFORE**, for good and sufficient consideration and intending to be legally bound hereby, Tenant and Mortgagee agree:

1. Definitions. The following terms shall have the following meanings for purposes of this Agreement.

1.1. "Construction-Related Obligation(s)" means any obligation of Landlord under the Lease to make, pay for, or reimburse Tenant for any alterations, demolition, or other improvements or work at Landlord's Premises, including Tenant's Premises. Construction-Related Obligations shall not include: (a) reconstruction or repair following fire, casualty or condemnation; or (b) day-to-day maintenance and repairs.

1.2. "Foreclosure Event" means: (a) foreclosure under the Mortgage; (b) any other exercise by Mortgagee of rights and remedies (whether under the Mortgage or under applicable law, including bankruptcy law) as holder of the Loan and/or the Mortgage, as a result of which Successor Landlord becomes owner of Landlord's Premises; or (c) delivery by Landlord to Mortgagee (or its designee or nominee) of a deed or other conveyance of Landlord's interest in Landlord's Premises in lieu of any of the foregoing.

1.3. "Former Landlord" means Landlord and any other party that was landlord under the Lease at any time before the occurrence of any attornment under this Agreement.

1.4. "Offset Right" means any right or alleged right of Tenant to any offset, defense (other than one arising from actual payment and performance, which payment and performance would bind a Successor Landlord pursuant to this Agreement), claim, counterclaim, reduction, deduction, or abatement against Tenant's payment of Rent or performance of Tenant's other obligations under the Lease, arising (whether under the Lease or other applicable law) from Landlord's breach or default under the Lease.

1.5. "Rent" means any fixed rent, base rent or additional rent under the Lease.

1.6. "Successor Landlord" means any party that becomes owner of Landlord's Premises as the result of a Foreclosure Event.

1.7. "Termination Right" means any right of Tenant to cancel or terminate the Lease or to claim a partial or total eviction arising (whether under the Lease or under applicable law) from Landlord's breach or default under the Lease.

2. Subordination. The Lease, including all rights of first refusal, purchase options and other rights of purchase, shall be, and shall at all times remain, subject and subordinate to the Mortgage, the lien imposed by the Mortgage, and all advances made under or secured by the Mortgage.

3. Nondisturbance; Recognition; and Attornment.

3.1. No Exercise of Mortgage Remedies Against Tenant. So long as the Lease has not been terminated on account of Tenant's default that has continued beyond applicable cure periods (an "Event of Default"), Mortgagee shall not name or join Tenant as a defendant in any exercise of Mortgagee's rights and remedies arising upon a default under the Mortgage unless applicable law requires Tenant to be made a party thereto as a condition to proceeding against Landlord or prosecuting such rights and remedies. In the latter case, Mortgagee may join Tenant as a defendant in such action only for such purpose and not to terminate the Lease or otherwise adversely affect Tenant's rights under the Lease or this Agreement in such action.

3.2. Nondisturbance and Attornment. If the Lease has not been terminated on account of an Event of Default by Tenant, then, when Successor Landlord takes title to Landlord's Premises: (a) Successor Landlord shall not terminate or disturb Tenant's possession of Tenant's Premises under the Lease, except in accordance with the terms of the Lease and this Agreement; (b) Successor Landlord shall be bound to Tenant under all the terms and conditions of the Lease (except as provided in this Agreement); (c) Tenant shall recognize and attorn to Successor Landlord as Tenant's direct landlord under the Lease as affected by this Agreement; and (d) the Lease shall continue in full force and effect as a direct lease, in accordance with its terms (except as provided in this Agreement), between Successor Landlord and Tenant.

3.3. Further Documentation. The provisions of this Article shall be effective and self-operative without any need for Successor Landlord or Tenant to execute any further documents. Tenant and Successor Landlord shall, however, confirm the provisions of this Article in writing upon request by either of them.

4. Protection of Successor Landlord. Notwithstanding anything to the contrary in the Lease or the Mortgage, Successor Landlord shall not be liable for or bound by any of the following matters:

4.1. Claims Against Former Landlord. Any Offset Right that Tenant may have against any Former Landlord relating to any event or occurrence before the date of attornment, including any claim for damages of any kind whatsoever as the result of any breach by Former Landlord that occurred before the date of attornment. (The foregoing shall not limit either (a) Tenant's right to exercise against Successor Landlord any Offset Right otherwise available to Tenant because of events occurring after the date of attornment, or (b) Successor Landlord's obligation to correct any conditions that existed as of the date of attornment and violate Successor Landlord's obligations as landlord under the Lease.)

4.2. Acts or Omissions of Former Landlord. Any act, omission, default, misrepresentation, or breach of warranty, of any previous landlord (including Former Landlord) or obligations accruing prior to Successor Landlord's actual ownership of the Property.

4.3. Prepayments. Any payment of Rent that Tenant may have made to Former Landlord more than thirty (30) days before the date such Rent was first due and payable under the Lease with respect to any period after the date of attornment other than, and only to the extent that, the Lease expressly required such a prepayment.

4.4. Payment; Security Deposit. Any obligation (a) to pay Tenant any sum(s) that any Former Landlord owed to Tenant, or (b) with respect to any security deposited with Former Landlord, unless such security was actually delivered to Mortgagee. This paragraph is not intended to apply to Landlord's obligation to make any payment that constitutes a Construction-Related Obligation.

4.5. Modification; Amendment; or Waiver. Any modification or amendment of the Lease, or any waiver of any terms of the Lease, made without Mortgagee's written consent.

4.6. Surrender; Etc. Any consensual or negotiated surrender, cancellation, or termination of the Lease, in whole or in part, agreed upon between Landlord and Tenant, unless effected unilaterally by Tenant pursuant to the express terms of the Lease.

4.7. Construction-Related Obligations. Any Construction-Related Obligation of Landlord under the Lease.

4.8. Default Under Mortgage. In the event that Mortgagee notifies Tenant of a default under the Mortgage and demands that Tenant pay its rent and all other sums due under the Lease directly to Mortgagee, Tenant shall honor such demand and pay the full amount of its rent and all other sums due under the Lease directly to Mortgagee, without offset, or as otherwise required pursuant to such notice beginning with the payment next due after such notice of default, without inquiry as to whether a default actually exists under the Mortgage and notwithstanding any contrary instructions of or demands from Landlord.

5. Exculpation of Successor Landlord. Notwithstanding anything to the contrary in this Agreement or the Lease, upon any attornment pursuant to this Agreement the Lease shall be deemed to have been automatically amended to provide that Successor Landlord's obligations and liability under the Lease shall never extend beyond Successor Landlord's (or its successors' or assigns') interest, if any, in Tenant's Premises from time to time, including insurance and condemnation proceeds, Successor Landlord's interest in the Lease, and the proceeds from any sale or other disposition of Tenant's Premises by Successor Landlord (collectively, "Successor Landlord's Interest"). Tenant shall look exclusively to Successor Landlord's Interest (or that of its successors and assigns) for payment or discharge of any obligations of Successor Landlord under the Lease as affected by this Agreement. If Tenant obtains any money judgment against Successor Landlord with respect to the Lease or the relationship between Successor Landlord and Tenant, then Tenant shall look solely to Successor Landlord's Interest (or that of its successors and assigns) to collect such judgment. Tenant shall not collect or attempt to collect any such judgment out of any other assets of Successor Landlord. In addition to any limitation of liability set forth in this Agreement, Mortgagee and/or its successors and assigns shall under no circumstances be liable for any incidental, consequential, punitive, or exemplary damages.

6. Mortgagee's Right to Cure.

6.1. Notice to Mortgagee. Notwithstanding anything to the contrary in the Lease or this Agreement, before exercising any Termination Right or Offset Right, Tenant shall provide Mortgagee with notice of the breach or default by Landlord giving rise to same (the "Default Notice") and, thereafter, the opportunity to cure such breach or default as provided for below.

6.2. Mortgagee's Cure Period. After Mortgagee receives a Default Notice, Mortgagee shall have a period of thirty (30) days beyond the time available to Landlord under the Lease in which to cure the breach or default by Landlord. Mortgagee shall have no obligation to cure (and shall have no liability or obligation for not curing) any breach or default by Landlord, except to the extent that Mortgagee agrees or undertakes otherwise in writing.

6.3. Extended Cure Period. In addition, as to any breach or default by Landlord the cure of which requires possession and control of Landlord's Premises, provided only that Mortgagee undertakes to Tenant by written notice to Tenant within thirty (30) days after receipt of the Default Notice to exercise reasonable efforts to cure or cause to be cured by a receiver such breach or default within the period permitted by this paragraph, Mortgagee's cure period shall continue for such additional time (the "Extended Cure Period") as Mortgagee may reasonably require to either (a) obtain possession and control of Landlord's Premises and thereafter cure the breach or default with reasonable diligence and continuity, or (b) obtain the appointment of a receiver and give such receiver a reasonable period of time in which to cure the default.

7. Confirmation of Facts. Tenant represents to Mortgagee and to any Successor Landlord, in each case as of the Effective Date:

7.1. Effectiveness of Lease. The Lease is in full force and effect, has not been modified, and constitutes the entire agreement between Landlord and Tenant relating to Tenant's Premises. Tenant has no interest in Landlord's Premises except pursuant to the Lease. No unfulfilled conditions exist to Tenant's obligations under the Lease.

7.2. Rent. Tenant has not paid any Rent that is first due and payable under the Lease more than thirty (30) days in advance.

7.3. No Landlord Default. To the best of Tenant's knowledge, no breach or default by Landlord exists and no event has occurred that, with the giving of notice, the passage of time or both, would constitute such a breach or default.

7.4. No Tenant Default. Tenant is not in default under the Lease and has not received any uncured notice of any default by Tenant under the Lease.

7.5. No Termination. Tenant has not commenced any action nor sent or received any notice to terminate the Lease. Tenant has no presently exercisable Termination Right(s) or Offset Right(s).

7.6. Commencement Date. The "Commencement Date" of the Lease was .

7.7. No Transfer. Tenant has not transferred, encumbered, mortgaged, assigned, conveyed or otherwise disposed of the Lease or any interest therein, other than sublease(s) made in compliance with the Lease.

7.8. Due Authorization. Tenant has full authority to enter into this Agreement, which has been duly authorized by all necessary actions.

8. Tenant Covenants. Tenant shall not, without obtaining the prior written consent of Mortgagee, (a) enter into any agreement amending, modifying, extending, restating or terminating the Lease, (b) prepay any of the rents, additional rents or other sums due under the Lease for more than one (1) month in advance of the due dates thereof, (c) voluntarily surrender the Tenant's Premises demised under the Lease or terminate the Lease without cause or shorten the term thereof, or (d) assign the Lease or sublet the Tenant's Premises or any part thereof other than pursuant to the provisions of the Lease; and any such amendment, modification, termination, prepayment, voluntary surrender, assignment or subletting, without Mortgagee's prior consent, shall not be binding upon Mortgagee.

9. Miscellaneous.

9.1. Notices. All notices or other communications required or permitted under this Agreement shall be in writing and given by certified mail (return receipt requested) or by nationally recognized overnight courier service that regularly maintains records of items delivered. Each party's address is as set forth in the opening paragraph of this Agreement, subject to change by notice under this paragraph. Notices shall be effective the next business day after being sent by overnight courier service, and five (5) business days after being sent by certified mail (return receipt requested).

9.2. Successors and Assigns. This Agreement shall bind and benefit the parties, their successors and assigns, any Successor Landlord, and its successors and assigns. If Mortgagee assigns the Mortgage, then upon delivery to Tenant of written notice thereof accompanied by the assignee's written assumption of all obligations under this Agreement, all liability of the assignor shall terminate.

9.3. Entire Agreement. This Agreement constitutes the entire agreement between Mortgagee and Tenant regarding the subordination of the Lease to the Mortgage and the rights and obligations of Tenant and Mortgagee as to the subject matter of this Agreement.

9.4. Interaction with Lease and with Mortgage. If this Agreement conflicts with the Lease, then this Agreement shall govern as between the parties and any Successor Landlord, including upon any attornment pursuant to this Agreement. This Agreement supersedes, and constitutes full compliance with, any provisions in the Lease that provide for subordination of the Lease to, or for delivery of nondisturbance agreements by the holder of, the Mortgage. Mortgagee confirms that Mortgagee has consented to Landlord's entering into the Lease.

9.5. Mortgagee's Rights and Obligations. Except as expressly provided for in this Agreement, Mortgagee shall have no obligations to Tenant with respect to the Lease. If an attornment occurs pursuant to this Agreement, then all rights and obligations of Mortgagee under this Agreement shall terminate, without thereby affecting in any way the rights and obligations of Successor Landlord provided for in this Agreement.

9.6. Interpretation; Governing Law. The interpretation, validity and enforcement of this Agreement shall be governed by and construed under the internal laws of the Commonwealth of Massachusetts, excluding its principles of conflict of laws.

9.7. Amendments. This Agreement may be amended, discharged or terminated, or any of its provisions waived, only by a written instrument executed by the party to be charged.

9.8. Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

9.9. Mortgagee's Representation. Mortgagee represents that Mortgagee has full authority to enter into this Agreement, and Mortgagee's entry into this Agreement has been duly authorized by all necessary actions.

[Remainder of the Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered under seal by Mortgagee and Tenant as of the Effective Date.

**MORTGAGEE**

BANK OF AMERICA, N.A., a national banking association

By: _____
Name: _____
Title: _____

**TENANT**

, a

By: _____
Name:
Title:

COMMONWEALTH OF MASSACHUSETTS

, ss.

On this day of , 2015, before me, the undersigned notary public, personally appeared , as of Bank of America, N.A., proved to me through satisfactory evidence of identification, which was personal knowledge, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

Notary Public
My commission expires:

COMMONWEALTH OF MASSACHUSETTS

, ss.

On this day of , 2015, before me, the undersigned notary public, personally appeared , as of , proved to me through satisfactory evidence of identification, which was personal knowledge, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

Notary Public
My commission expires:

**LANDLORD'S CONSENT**

Landlord consents and agrees to the foregoing Agreement, which was entered into at Landlord's request. The foregoing Agreement shall not alter, waive or diminish any of Landlord's obligations under the Mortgage or the Lease. The above Agreement discharges any obligations of Mortgagee under the Mortgage and related loan documents to enter into a nondisturbance agreement with Tenant. Tenant is hereby authorized to pay its rent and all other sums due under the Lease directly to Mortgagee upon receipt of a notice as set forth in Section 4.8 above from Mortgagee and that Tenant is not obligated to inquire as to whether a default actually exists under the Mortgage. Landlord is not a party to the above Agreement.

LANDLORD:

255 STATE STREET LLC

_____

Name:
Title:

Dated: , 20

COMMONWEALTH OF MASSACHUSETTS

, ss.

On this day of , 2015, before me, the undersigned notary public, personally appeared , as of 255 State Street LLC, proved to me through satisfactory evidence of identification, which was personal knowledge, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

Notary Public
My commission expires:

**SCHEDULE A**

Description of Landlord's Premises

Schedule A

**EXHIBIT I**
**FORM OF LETTER OF CREDIT**

BENEFICIARY:

255 State Street, LLC
c/o Pembroke Real Estate, Inc.
255 State Street
Boston, MA 02109
Attn: Chief Financial Officer

ACCOUNTEE/APPLICANT:

ISSUANCE DATE:

,

IRREVOCABLE STANDBY

LETTER OF CREDIT NO.

MAXIMUM/AGGREGATE

CREDIT AMOUNT:

USD $

GENTLEMEN:

We hereby establish our unconditional irrevocable letter of credit in your favor for account of the applicant up to an aggregate amount not to exceed and 00/100 US Dollars ($ ) available by your draft(s) drawn on ourselves at sight, accompanied by:

Your statement, signed by a purportedly authorized officer/official certifying that the Beneficiary is entitled to draw upon this Letter of Credit (in the amount of the draft submitted herewith) pursuant to Article 12 of the lease (the "Lease") dated , 201 by and between 255 State Street, L.L.C., as Landlord, and , as Tenant, relating to premises at 255 State Street, Boston, Massachusetts.

Draft(s) must indicate name and issuing bank and credit number and must be presented at this office.

You shall have the right to make partial draws against this Letter of Credit, in multiple draws which may be made by you from time to time, without additional charges. This Letter of Credit shall be assignable by you without additional charge.

Except as otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practices for Documentary Credits, International Chamber of Commerce International Standby Practices Publication No. 590 (1998 Revision). Except as expressly stated herein, this undertaking is not subject to any agreements, requirements or qualification. Our obligation under this Letter of Credit is our individual obligation and is in no way contingent upon reimbursement with respect thereto, or upon our ability to perfect any lien, security interest or any other reimbursement.

This Letter of Credit shall expire at our office on , (the "Stated Expiration Date"). It is a condition of this Letter of Credit that the Stated Expiration Date shall be deemed automatically extended without amendment for successive one (1) year periods from such Stated Expiration Date, unless at least sixty (60) days prior to such Stated Expiration Date (or any anniversary thereof) we shall notify you and the Accountee/Applicant in writing by registered mail (return receipt) that we elect not to consider this Letter of Credit extended for any such additional one (1) year period.

We engage with you that all drafts drawn under and in compliance with the terms of this letter of credit will be duly honored on presentation to us.

Very truly yours,

Authorized Signatory

**Exhibit 10.2**


April 7, 2015

Gerald E. Quirk
20 Scotts Wood Drive
Sudbury, MA 01776

Dear Gerald:

It is my great pleasure to offer you the position of General Counsel and Executive Vice President of Business Operations for Tokai Pharmaceuticals, Inc. (the "Company"). On behalf of the Company, I set forth below the terms of your employment:

1. **Employment.** You will be employed to serve on a full-time basis as General Counsel & Executive Vice President of Business Operations effective May 26, 2015. In this role, you will be responsible for overseeing all legal and business operations functions plus any other duties as may from time to time be assigned to you by the Company. You shall report to Jodie Morrison, Chief Executive Officer, or his/her designee, and you agree to devote your full business time, best efforts, skill, knowledge, attention and energies to the advancement of the Company's business and interests and to the performance of your duties and responsibilities as an employee of the Company. You agree to abide by the rules, regulations, instructions, personnel practices and policies of the Company and any changes therein that may be adopted from time to time by the Company.

2. **Base Salary.** Your base salary will be at the rate of $15,208.33 per semi-monthly pay period (which if annualized equals three hundred sixty-five thousand dollars), less all applicable taxes and withholdings, to be paid in installments in accordance with the Company's regular payroll practices. Such base salary may be adjusted from time to time in accordance with normal business practices and in the sole discretion of the Company.

3. **Discretionary Bonus.** Following the end of each calendar year and subject to the approval of the Company's Board of Directors (the "Board"), you will be eligible for a retention and performance bonus of up to 35% of your annualized base salary for the year, based on your performance and the Company's performance during the applicable calendar year, as determined by the Company in its sole discretion. The bonus will be pro-rated for the period during the year for which you are employed. In any event, you must be an active employee of the Company on the date any bonus is distributed in order to be eligible for and to earn any such bonus award, as it also serves as an incentive to remain employed by the Company

4. **Equity. Subject to** approval by the Board, you will receive an option to purchase, 214,605 shares of the Company's Common Stock at an exercise price per share equal

to the closing price of the Common Stock on the date of effectiveness of the grant of such option (the "Option"). The Option will not be effective prior to the commencement of your employment. The Option would be granted pursuant and subject to the terms of a stock option agreement to be entered into with the Company and under the Company's 2014 Stock Incentive Plan (the "Option Agreement").

The Option Agreement will provide that the Option will vest over a four year period, with the first twelve and a half percent (12.5%) of the Option vesting upon the date six months from the date of your commencement of employment and the balance of the Option vesting on a monthly basis on the last day of the month in 42 equal monthly installments thereafter, subject to your continued employment with the Company through each vesting date.

The Option Agreement will also provide that notwithstanding the foregoing, in the event that a Change in Control Event (as defined below) occurs or a definitive agreement that results in a Change of Control Event is entered into prior to November 25, 2015, then immediately prior to the Change in Control Event, the Option with respect to 50% of the underlying shares originally covered by the Option (subject to appropriate adjustment for stock splits, stock dividends, recapitalizations and similar events affecting the Common Stock) will terminate and be of no further force or effect, and the balance of the Option shall continue in force or effect as if it had originally been granted for a number of shares equal to 50% of the underlying shares originally covered by the Option (subject to appropriate adjustment for stock splits, stock dividends, recapitalizations and similar events affecting the Common Stock).

You may also be eligible for other grants of stock or stock options as determined by and in the sole discretion of the Board. Nothing in this section shall affect your status as an employee at will, as set for below.

5. **Benefits.** You may participate in any and all benefit programs that the Company establishes and makes available to its employees from time to time, provided that you are eligible under (and subject to all provisions of) the plan documents that govern those programs. Benefits are subject to change at any time in the Company's sole discretion.

6. **Business Expenses:** The Company will reimburse you for all submitted reasonable and documented business expenses in accordance with Company policy.

7. **Vacation.** You will be eligible for a maximum of 4 weeks of paid vacation per calendar year to be taken at such times as may be approved in advance by the Company. The number of vacation days for which you are eligible shall accrue at the rate of 1.667 days per month that you are employed during such calendar year. Pursuant to Company policy, vacation time cannot be carried over from year to year.

8. **Confidentiality, Inventions, Non-Competition and Non-Solicitation Agreement.** You will be required to execute the attached Confidentiality, Inventions, Non-Competition and Non-Solicitation Agreement (the "Non-Competition Agreement") as a condition of employment.

9. **No Conflict.** You represent that you are not bound by any employment contract, restrictive covenant or other restriction preventing you from entering into employment with or carrying out your responsibilities for the Company, or which is in any way inconsistent with the terms of this offer letter.

10. **Proof of Legal Right to Work.** You agree to provide to the Company, within three (3) days of your date of hire, documentation proving your eligibility to work in the United States, as required by the Immigration Reform and Control Act of 1986. You may need a work visa in order to be eligible to work in the United States. If that is the case, your employment with the Company will be conditioned upon your obtaining a work visa in a timely manner as determined by the Company.

11. **At-Will Employment.** This letter shall not be construed as an agreement, either express or implied, to employ you for any stated term, and shall in no way alter the Company's policy of employment at-will, under which both the Company and you remain free to end the employment relationship for any reason, at any time, with or without cause or notice. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at-will" nature of your employment may only be changed by a written agreement signed by you and the Chief Executive Officer of the Company, which expressly states the intention to modify the at-will nature of your employment. Similarly, nothing in this letter shall be construed as an agreement, either express or implied, to pay you any compensation or grant you any benefit beyond the end of your employment with the Company, except as otherwise explicitly set forth herein. This letter supersedes all prior understandings, whether written or oral, relating to the terms of your employment.

12. **Termination Without Cause or for Good Reason**.

    a. *Severance Benefits in Connection with Termination*. Subject to Sections 12(b) and (c), if the Company terminates your employment without Cause (as defined below), or you terminate your employment for Good Reason (as defined below), (i) you will receive as severance pay an amount equal to six months of your then-current base salary (subject to all applicable federal, state and local taxes and withholdings, and payable over a six month period in accordance with the Company's regular payroll practices) and (ii) provided that you are eligible for and elect COBRA coverage, the Company will pay the amount of premiums it pays for active employees with similar coverage for you and your covered beneficiaries but not more each month than the monthly amount it was paying for your coverage when your employment ended until the earlier of six months after your employment ends or the date you (or, as applicable, your beneficiaries) become eligible for coverage at a new employer, provided that if the Company's paying such premiums violates nondiscrimination laws, the payments will cease.

*b. Severance Benefits in Connection with Termination Upon or Within One Year Following a Change in Control Event.* Subject to Section 12(c), if, upon or during the 12 month period commencing upon a Change in Control Event (as defined below), your employment with the Company or the acquiring or succeeding company is terminated by the Company or the acquiring or succeeding company without Cause or, upon or during the 12 month period commencing upon the Change in Control Event, you terminate your employment with the Company or the acquiring or succeeding company for Good Reason, then, in lieu of the severance and other benefits provided for in Section 12(a), to the extent applicable, (i) you will receive as severance pay (x) an amount equal to 12 months of your then-current base salary (subject to all applicable federal, state and local taxes and withholdings and payable over an 12-month period in accordance with the Company's regular payroll practices) and (y) an amount equal to 100% of your then-current annual target bonus (subject to all applicable federal, state and local taxes and withholdings and payable in a lump sum), (ii) provided that you are eligible for and elect COBRA coverage, the Company will pay the amount of premiums it pays for active employees with similar coverage for you and your covered beneficiaries but not more each month than the monthly amount it was paying for your coverage when your employment ended until the earlier of 12 months after your employment ends or the date you (or, as applicable, your beneficiaries) become eligible for coverage at a new employer, provided that if the Company's paying such premiums violates nondiscrimination laws, the payments will cease, and (iii) notwithstanding the terms of any stock option agreement, restricted stock agreement, restricted stock unit agreement or other stock award ("Equity Awards"), the vesting of all Equity Awards held by you on the date of termination shall be automatically accelerated, effective as of the date of termination, such that such Equity Awards shall become 100% fully vested.

c. *Conditions of Severance Benefits*. You will not receive your severance pay or the other benefits set forth in Sections 12(a) and (b) of this letter unless (i) you are in full compliance with the Non-Competition Agreement described in Section 8 and (ii), within 60 days following your last day of employment (or such lesser period as is then required by the Severance Agreement), you timely execute and return a severance and release of claims agreement provided by the Company (the "Severance Agreement") and, if applicable, allow it to become effective by not revoking your acceptance (the "Severance Conditions"). Upon the satisfaction of the Severance Conditions, your receipt of severance pay and other benefits shall commence (or in the case of any lump sum payment, shall paid and, in the case of any Equity Awards, shall vest) on the Company's first payroll date following the eighth day after you execute the Severance Agreement (provided that if the 60 day period described above ends in a

calendar year subsequent to the year in which you are terminated, payment will not begin before the first business day of that subsequent year), and shall continue for the periods described in Sections 12(a) and (b), as applicable. Any severance pay or other benefits payable under this Section 12 will be subject to the terms and conditions set forth in Exhibit A.

d. *Definitions.* For the purposes of this Section 12:

(i) "Cause" means: (a) your conviction of, or plea of guilty or nolo contendere to, any crime involving dishonesty or moral turpitude or any felony; or (b) a good faith finding by the Company that you have (i) engaged in dishonesty, willful misconduct or gross negligence,(ii) breached or threatened to breach the Non- Competition Agreement, (iii) violated Company policies or procedures, and/or (iv) failed to perform your assigned duties to the Company's satisfaction, following notice of such failure by the Company and a period of fifteen (15) days to cure.

(ii) "Change in Control Event" means:

(a) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 50% or more of the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control Event: (x) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), or (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(b) the consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange involving the Company or a sale or other disposition of all or substantially all

of the assets of the Company (a "Business Combination"), unless, immediately following such Business Combination all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership of the Outstanding Company Voting Securities immediately prior to such Business Combination: provided that, where required to avoid additional taxation under Section 409A, the event that occurs must also be a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined in Treasury Regulation Section 1.409A-3(i)(5).

*(iii)* "Good Reason" means: (a) a material adverse change in your duties, responsibilities, title or reporting relationship, (b) a material reduction in your annualized base salary without your prior consent (other than in connection with, and in an amount substantially proportionate to, reductions made by the Company to the annualized base salaries of its other senior executives), or (c) the relocation of the Company following a Change in Control Event, such that your daily commute is increased by at least 50 miles. To terminate your employment for Good Reason you must (a) provide notice to the Company of the event giving rise to the Good Reason within 90 days after such event occurs, (b) provide the Company with at least 30 days to cure, and (c) if not cured, resign for Good Reason within 30 days following expiration of the cure period."

13. **Entire Agreement.** This letter, together with the Non-Competition Agreement and the Option Agreement, constitute the entire agreement between you and the Company pertaining to their subject matter, and supersede all previous written or oral representations, agreements and understandings between you and the Company related to the subject matter of this letter and those agreements.

If this letter correctly sets forth the terms under which you will be employed by the Company, please sign the enclosed duplicate of this letter in the space provided below and return it to me, along with a signed copy of the Non-Competition Agreement. If you do not accept this offer by "10 days from acceptance", the offer will be deemed withdrawn.

Sincerely,

By: /s/ Jodie P. Morrison
Jodie P. Morrison
President and Chief Executive Officer

The foregoing correctly sets forth the terms of my at-will employment with Tokai Pharmaceuticals, Inc. I am not relying on any representations other than those set forth above.

| | |
|---|---|
| /s/ Gerald Quirk | April 9, 2015 |
| Gerald Quirk | Date |

**Exhibit A**

**Payments Subject to Section 409A**

1. Subject to this Exhibit A, payments or benefits under Section 12(a) of the offer letter shall begin only following the date of your "separation from service" (determined as set forth below) which occurs on or after the termination of your employment. The following rules shall apply with respect to distribution of the payments and benefits, if any, to be provided to you under Section 12(a) of the offer letter, as applicable:

(a) It is intended that each installment of the payments and benefits provided under Section 12(a) of the offer letter shall be treated as a separate "payment" for purposes of Section 409A of the Internal Revenue Code of 1986 and the guidance issued thereunder ("Section 409A"). Neither the Company nor you shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

(b) If, as of the date of your "separation from service" from the Company, you are not a "specified employee" (within the meaning of Section 409A), then each installment of the payments and benefits shall be made on the dates and terms set forth in Section 12(a) of the offer letter.

(c) If, as of the date of your "separation from service" from the Company, you are a "specified employee" (within the meaning of Section 409A), then:

(i) Each installment of the payments and benefits due under Section 12(a) of the offer letter that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when your separation from service occurs, be paid within the Short-Term Deferral Period (as hereinafter defined) shall be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A. For purposes of the offer letter, the "Short-Term Deferral Period" means the period ending on the later of the 15th day of the third month following the end of your tax year in which the separation from service occurs and the 15th day of the third month following the end of the Company's tax year in which the separation from service occurs; and

(ii) Each installment of the payments and benefits due under Section 12(a) of the offer letter that is not described in this Exhibit A, Section 1(c)(i) and that would, absent this subsection, be paid within the six-month period following your "separation from service" from the Company shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, your death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following your separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms

set forth herein; provided, however, that the preceding provisions of this sentence shall not apply to any installment of payments and benefits if and to the maximum extent that that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation Section 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation Section 1.409A-1(b)(9)(iii) must be paid no later than the last day of your second taxable year following the taxable year in which the separation from service occurs.

2. The determination of whether and when your separation from service from the Company has occurred shall be made and in a manner consistent with, and based on the presumptions set forth in, Treasury Regulation Section 1.409A-1(h). Solely for purposes of this Exhibit A, Section 2, "Company" shall include all persons with whom the Company would be considered a single employer under Section 414(b) and 414(c) of the Code.

3. All reimbursements and in-kind benefits provided under the offer letter shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A.

4. The Company makes no representation or warranty and shall have no liability to you or to any other person if any of the provisions of the offer letter (including this Exhibit) are determined to constitute deferred compensation subject to Section 409A but that do not satisfy an exemption from, or the conditions of, that section.

**Exhibit 31.1**

**CERTIFICATIONS**

I, Jodie P. Morrison, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tokai 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2015

By: /s/ Jodie P. Morrison
Jodie P. Morrison
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATIONS**

I, Lee H. Kalowski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tokai 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2015

By: /s/ Lee H. Kalowski
Lee H. Kalowski
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Tokai Pharmaceuticals, Inc. (the "Company") for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jodie P. Morrison, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of her knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2015

By: /s/ Jodie P. Morrison
Jodie P. Morrison
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Tokai Pharmaceuticals, Inc. (the "Company") for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Lee H. Kalowski, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2015

By: /s/ Lee H. Kalowski
Lee H. Kalowski
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 99.1**

**Tokai Pharmaceuticals Reports Second Quarter 2015 Results**

*Pivotal Phase 3 Trial of Galeterone in AR-V7 Positive Metastatic Castration-Resistant Prostate Cancer on Track for Topline Data by End of 2016*

BOSTON, Mass.—August 12, 2015—Tokai Pharmaceuticals, Inc. (NASDAQ: TKAI), a biopharmaceutical company focused on developing and commercializing proprietary therapies for prostate cancer and other hormonally driven diseases, today reported results for the quarter ended June 30, 2015.

Tokai's business highlights for the quarter include the initiation of ARMOR3-SV, Tokai's pivotal Phase 3 clinical trial of galeterone in men with metastatic castration-resistant prostate cancer (mCRPC) whose tumor cells express the AR-V7 splice variant, which is a truncated form of the androgen receptor that has been associated with non-responsiveness to commonly-used oral therapies for mCRPC.

ARMOR3-SV is designed to evaluate whether administration of galeterone results in a statistically significant increase in radiographic progression free survival as compared to Xtandi® (enzalutamide) in 148 treatment-naïve mCRPC patients whose prostate tumor cells express the AR-V7 splice variant. This trial represents the first pivotal trial in prostate cancer that employs a precision medicine approach for patient selection. The design and clinical rationale for ARMOR3-SV was presented last quarter at the 2015 Annual Meeting of the American Society for Clinical Oncology. Topline data from ARMOR3-SV are anticipated by the end of 2016.

ARMOR3-SV has been initiated at 30 clinical centers in the United States, Canada and the United Kingdom, and regulatory approvals to begin the trial have been obtained in Belgium, France and Spain. A clinical trial assay that reliably detects the presence of AR-V7 in circulating tumor cells obtained from prostate cancer patients has been successfully developed by the Company's collaborator, QIAGEN (NASDAQ: QGEN; Frankfurt Prime Standard: QIA). Implementation of the assay and training at the global central laboratories remain ongoing, and the Company continues to expect screening of eligible patients to begin this quarter.

"We believe that AR-V7 positive metastatic CRPC represents a significant unmet market opportunity, and that ARMOR3-SV has the potential to change the treatment landscape for metastatic CRPC patients by enabling treating physicians to make more informed treatment decisions," said Jodie Morrison, President and Chief Executive Officer of Tokai. "We are pleased with our progress in initiating ARMOR3-SV globally, and with screening of patients beginning this quarter, we expect topline data from the study by the end of next year. With worldwide rights to galeterone and a pipeline of candidates from our ARDA discovery platform, a strong financial position and pivotal data expected next year, we are well positioned to create value from Tokai's pipeline and achieve our mission of developing and delivering innovative therapies that provide hope and healing for patients living with cancer."

**Financial Results**

- **Cash and investments** at June 30, 2015 were $83.2 million, compared to $105.3 million at December 31, 2014.
- **Research and development expense** was $5.9 million for the second quarter of 2015, as compared to $4.4 million for the same period of 2014. The increase in research and development expense was primarily attributable to start-up costs for the ARMOR3-SV clinical trial and the development of the AR-V7 clinical trial assay, and costs associated with other clinical trials to support the submission of a new drug application for galeterone.
- **General and administrative expense** was $3.1 million for the second quarter of 2015, as compared to $1.5 million for the same period of 2014. The increase in general and administrative expense was primarily attributable to increased headcount and other expenses necessary to operate as a public company as well as increased patent costs.
- **Net loss** was $9.0 million for the second quarter of 2015, compared to $5.9 million for the second quarter of 2014.

**About Tokai Pharmaceuticals**

Tokai Pharmaceuticals is a biopharmaceutical company focused on developing and commercializing proprietary therapies for prostate cancer and other hormonally driven diseases. The company's lead drug candidate, galeterone, is a highly selective, multi-targeted, oral small molecule being developed for the treatment of patients with metastatic castration-resistant prostate cancer. The company's ARDA drug discovery program is focused on the identification and evaluation of compounds that are designed to disrupt androgen receptor signaling through enhanced androgen receptor degradation and are targeted to patients with androgen receptor signaling diseases, including prostate cancer. For more information on the company and galeterone, please visit www.tokaipharma.com.

**Forward-looking Statements**

Any statements in this press release about our future expectations, plans and prospects, including statements about our strategy, future operations, intellectual property, and other statements containing the words "believes," "anticipates," "plans," "expects," and similar expressions, constitute forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including: whether our cash resources will be sufficient to fund our continuing operations for the period anticipated; whether data from early clinical trials of galeterone will be indicative of the data that will be obtained from future clinical trials; whether galeterone will advance through the clinical trial process on the anticipated timeline, including whether the global implementation of the AR-V7 clinical trial assay and the commencement of patient screening in ARMOR3-SV will occur as anticipated; whether a companion diagnostic based on the clinical trial assay can be developed successfully and on a timely basis; whether the results of ARMOR3-SV will warrant submission for regulatory approval of galeterone and whether such submission will receive approval from the United States Food and Drug Administration or equivalent foreign regulatory agencies; whether, if galeterone obtains such approval, it will be successfully distributed and marketed; and other factors discussed in the "Risk Factors" section of our quarterly report on Form 10-Q for the three months ended June 30, 2015. Any forward-looking statements contained in this press release speak only as of the date hereof and not of any future date, and we expressly disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

**TOKAI PHARMACEUTICALS, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(in thousands, except share and per share information)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | $ — | $ — | $ — | $ — |
| Operating expenses: | | | | |
| Research and development | 5,855 | 4,392 | 16,414 | 7,948 |
| General and administrative | 3,127 | 1,493 | 5,868 | 2,829 |
| Total operating expenses | 8,982 | 5,885 | 22,282 | 10,777 |
| Loss from operations | (8,982) | (5,885) | (22,282) | (10,777) |
| Interest and other income | 25 | 34 | 65 | 79 |
| Net loss | $ (8,957) | $ (5,851) | $ (22,217) | $ (10,698) |
| Net loss per share, basic and diluted | $ (0.40) | $ (11.68) | $ (0.99) | $ (21.48) |
| Weighted average common shares outstanding, basic and diluted | 22,421,622 | 501,133 | 22,403,031 | 498,107 |

**TOKAI PHARMACEUTICALS, INC.**
**CONSOLIDATED BALANCE SHEET DATA**
**(in thousands)**

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Cash and investments | $83,194 | $ 105,256 |
| Total assets | 87,410 | 107,744 |
| Working capital | 82,109 | 103,268 |
| Total stockholders' equity | 82,750 | 103,501 |

Source: Tokai Pharmaceuticals, Inc.

**Investors:**
Tokai Pharmaceuticals, Inc.
Lee Kalowski, 617-225-4305
Chief Financial Officer
lkalowski@tokaipharma.com

or

Argot Partners
David Pitts/Maeve Conneighton, 212-600-1902
david@argotpartners.com
maeve@argotpartners.com

**Media:**
Ten Bridge Communications, Inc.
Dan Quinn, 781-475-7974
dan@tenbridgecommunications.com