As filed with the Securities and Exchange Commission on June 19, 2006.

Registration No. 333-

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

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SUCAMPO PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**2834**	**13-3929237**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(IRS Employer Identification Number)*

4733 Bethesda Avenue, Suite 450
Bethesda, Maryland 20814
(301) 961-3400
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Sachiko Kuno, Ph.D.
President and Chief Executive Officer
Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue, Suite 450
Bethesda, Maryland 20814
(301) 961-3400
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. o _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. o _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Class A common Stock, $0.01 par value per share	$86,250,000	$9,229

(1) Estimated solely for the purpose of calculating the amount of registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

(SUBJECT TO COMPLETION)

Preliminary Prospectus
Dated June 19, 2006

Shares

Class A Common Stock

This is the initial public offering of our class A common stock. No public market currently exists for our class A common stock. We are offering all of the shares of class A common stock offered by this prospectus. We anticipate that the public offering price will be between $ and $ per share. After the offering, the market price for our shares may be outside this range.

We have applied to have our class A common stock approved for quotation on The NASDAQ National Market under the symbol "SCMP."

Investing in our class A common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our class A common stock in "Risk Factors" beginning on page 8 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters the right to purchase up to an additional shares of our class A common stock to cover over-allotments. The underwriters can exercise this right at any time within 30 days after the offering. The underwriters expect to deliver the shares of class A common stock to investors on or about , 2006.

Banc of America Securities LLC **Deutsche Bank Securities**

Leerink Swann & Company

, 2006

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information or information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. In this prospectus, unless otherwise stated or the context otherwise requires, references to "Sucampo," "we," "us," "our" and similar references refer to Sucampo Pharmaceuticals, Inc. and its combined affiliated companies, Sucampo Pharma Europe Ltd. and Sucampo Pharma, Ltd.

AMITIZA™ and our logo are our trademarks and SUCAMPO® is our registered trademark. Each of the other trademarks, trade names or service marks appearing in this prospectus belongs to its respective holder.

TABLE OF CONTENTS

NOTICE TO INVESTORS

For investors outside the United States: **Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.**

SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that is important to you. Before investing in our class A common stock, you should read this prospectus carefully in its entirety, especially the risks of investing in our class A common stock that we discuss under "Risk Factors," and our combined financial statements and related notes beginning on page F-1.

Sucampo Pharmaceuticals, Inc.

Sucampo Pharmaceuticals, Inc. is an emerging pharmaceutical company focused on the discovery, development and commercialization of proprietary drugs based on prostones, a class of compounds derived from functional fatty acids that occur naturally in the human body. The therapeutic potential of prostones was first identified by one of our founders, Dr. Ryuji Ueno. We believe that most prostones function as activators of cellular ion channels and, as a result, may be effective at promoting fluid secretion and enhancing cell protection, which may give them wide-ranging therapeutic potential, particularly for age-related diseases. We are focused on developing prostones with novel mechanisms of action for the treatment of gastrointestinal, respiratory, vascular and central nervous system diseases and disorders for which there are unmet or underserved medical needs and significant commercial potential.

AMITIZA

In January 2006, we received marketing approval from the U.S. Food and Drug Administration, or FDA, for our first product AMITIZA™ (lubiprostone) for the treatment of chronic idiopathic constipation in adults. AMITIZA is the only prescription product for the treatment of chronic idiopathic constipation that has been approved by the FDA for use by adults of all ages, including those over 65 years of age, and that has demonstrated effectiveness for use beyond 12 weeks. Studies published in *The American Journal of Gastroenterology* estimate that approximately 42 million people in the United States suffer from constipation. Based on these studies, we estimate that approximately 12 million people can be characterized as suffering from chronic idiopathic constipation.

We also plan to pursue marketing approval for AMITIZA for additional constipation-related gastrointestinal indications with large, underserved markets. We are currently conducting two pivotal Phase III clinical trials of AMITIZA for the treatment of irritable bowel syndrome with constipation, for which we expect results in the first quarter of 2007. In addition, we plan to begin Phase II/III pivotal clinical trials of AMITIZA for the treatment of opioid-induced bowel dysfunction by early 2007.

We are party to a collaboration and license agreement with Takeda Pharmaceutical Company Limited, or Takeda, to jointly develop and commercialize AMITIZA for chronic idiopathic constipation, irritable bowel syndrome with constipation, opioid-induced bowel dysfunction and other gastrointestinal indications in the United States and Canada. We have the right to co-promote AMITIZA along with Takeda in these markets. We and Takeda initiated commercial sales of AMITIZA in the United States for the treatment of chronic idiopathic constipation in April 2006. Takeda is marketing AMITIZA broadly to office-based specialty physicians and primary care physicians. We are complementing Takeda's marketing efforts by promoting AMITIZA through a specialty sales force in the institutional marketplace, including specialist physicians based in academic medical centers and long-term care facilities.

Additional Compounds

Our additional compounds in development include:

- SPI-8811 for the treatment of ulcers induced by non-steroidal anti-inflammatory drugs, or NSAIDs, portal hypertension, non-alcoholic fatty liver disease, cystic fibrosis and chronic obstructive pulmonary disease. We have completed Phase I trials of SPI-8811 for NSAID-induced ulcers, a Phase IIa trial for non-alcoholic fatty liver disease and a Phase IIa trial for cystic fibrosis. SPI-8811 is in the preclinical stage for other indications.

- SPI-017 for the treatment of peripheral arterial and vascular disease and central nervous system disorders. Initially, we are working on the development of an intravenous formulation of SPI-017 for the treatment of peripheral arterial disease. We also are developing an oral formulation of SPI-017 for the treatment of Alzheimer's disease. We plan to initiate Phase I clinical trials of the intravenous formulation of SPI-017 in early 2007 and the oral formulation in mid to late 2007.

Our Strategy

Our goal is to become a leading pharmaceutical company focused on discovering, developing and commercializing proprietary drugs based on prostones to treat diseases and disorders for which there are unmet or underserved medical needs and significant commercial potential. Our strategy to achieve this objective includes the following key elements:

- Focus on the commercial launch of AMITIZA in the United States for the treatment of chronic idiopathic constipation in adults.
- Develop AMITIZA for the treatment of additional indications and discover, develop and commercialize other prostone product candidates. We believe that our focus on prostones may offer several potential advantages, including:
  - novel mechanisms of action;
  - wide-ranging therapeutic potential;
  - our discovery and development experience with prostones; and
  - patent protection.
- Target large and underserved markets.
- Seek marketing approval for AMITIZA and our other product candidates in Europe and the Asia-Pacific region.
- Focus on our core discovery, clinical development and commercialization activities.
- Grow through strategic acquisitions and in-licensing opportunities.

Related-Party Arrangements

We hold an exclusive worldwide royalty-bearing license from Sucampo AG, a Swiss patent-holding company, to develop and commercialize AMITIZA and all other prostone compounds covered by patents and patent applications held by Sucampo AG. We are obligated to assign to Sucampo AG all patentable improvements that we make in the field of prostones, which Sucampo AG will in turn license back to us on an exclusive basis. If we have not committed specified development efforts to any prostone compound other than AMITIZA, SPI-8811 and SPI-017 by the end of a specified period, which ends on the later of September 30, 2011 or three months after the date upon which Drs. Kuno and Ueno no longer control our company, then the commercial rights to that compound will revert to Sucampo AG, subject to a one-year extension in the case of any compound that we designate in good faith as planned for development within that year. We refer to the end of this period as the Sucampo AG reversion date.

We are party to exclusive supply arrangements with R-Tech Ueno, Ltd., or R-Tech, a Japanese pharmaceutical manufacturer, to provide us with clinical and commercial supplies of AMITIZA and clinical supplies of our product candidates SPI-8811 and SPI-017. These arrangements include provisions requiring R-Tech to assist us in connection with applications for marketing approval for these compounds in the United States and elsewhere, including assistance with regulatory compliance for chemistry, manufacturing and controls.

Our two founders, Dr. Sachiko Kuno and Dr. Ryuji Ueno, together, directly or indirectly, own all of the stock of Sucampo AG and a majority of the stock of R-Tech. Drs. Kuno and Ueno also are executive officers, directors and controlling stockholders of our company and are married to each other.

Our Dual Class Capital Structure

We have two classes of common stock authorized, class A common stock and class B common stock. Holders of class A common stock and class B common stock have identical rights, except that holders of class A common stock are entitled to one vote per share and holders of class B common stock are entitled to ten votes per share on all matters on which stockholders are entitled to vote.

Immediately following the closing of this offering, we will have outstanding shares of class A common stock and 3,081,300 shares of class B common stock. The class B common stock will represent approximately % of the combined voting power of our outstanding common stock immediately following this offering. All of the shares of class B common stock are owned by S&R Technology Holdings, LLC, an entity wholly owned and controlled by Drs. Kuno and Ueno. As a result, Drs. Kuno and Ueno will be able to control the outcome of all matters upon which our stockholders vote, including the election of directors, amendments to our certificate of incorporation and mergers or other business combinations.

We will not be authorized to issue additional shares of class B common stock after this offering except in limited circumstances such as a stock split of both classes of common stock or a stock dividend made in respect of both classes of common stock. Shares of class B common stock will automatically be converted into shares of class A common stock upon transfer, with limited exceptions for transfers to family trusts. In addition, all remaining outstanding shares of class B common stock will automatically be converted into shares of class A common stock upon the death, legal incompetence or retirement from our company of both Drs. Kuno and Ueno or at such time as the number of outstanding shares of class B common stock is less than 20% of the number of outstanding shares of class A and class B common stock together.

In this prospectus, we refer to our authorized class A common stock and class B common stock together as our common stock.

Risks Associated With Our Business

Our business is subject to numerous risks, as more fully described in the section entitled “Risk Factors” immediately following this prospectus summary. Since our formation, we have incurred significant operating losses and, as of March 31, 2006, we had an accumulated combined deficit of $27.0 million. We expect to incur additional losses and may never achieve or maintain profitability. Our success depends on the successful commercialization of AMITIZA for the treatment of chronic idiopathic constipation in adults and other indications for which we are developing this drug. We have limited experience commercializing drug products. If we are not successful in making the transition from a pre-commercial stage company to a commercial company, our ability to become profitable will be compromised. We are highly dependent upon the continued service of Drs. Kuno, our president and chief executive officer, and Ueno, our chief scientific and chief operating officer. We depend significantly upon our collaboration with Takeda, and the successful commercialization of AMITIZA will depend to a large degree upon the effectiveness of Takeda’s sales force. We have no manufacturing capabilities and rely exclusively upon R-Tech for the manufacture of AMITIZA and other prostone product candidates. Our preclinical studies may not produce successful results and our clinical trials may not demonstrate safety and efficacy in humans, which could impair our ability to develop additional indications for AMITIZA and to develop and commercialize other product candidates.

Our Corporate Information

We were incorporated under the laws of Delaware in December 1996. Our principal executive offices are located at 4733 Bethesda Avenue, Suite 450, Bethesda, Maryland 20814, and our telephone number is (301) 961-3400.

The Offering

Class A common stock we are offering	shares
Common stock to be outstanding after this offering:	
Class A	shares
Class B	3,081,300 shares
Total	shares
Voting rights	One vote for each share of class A common stock and ten votes for each share of class B common stock on all matters on which stockholders are entitled to vote.
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million, or approximately $ million if the underwriters exercise their over-allotment option in full, assuming an initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and offering expenses payable by us. We expect to use these net proceeds to fund: development activities for AMITIZA, SPI-8811 and SPI-017; expansion of our sales and marketing infrastructure; additional clinical trials and sales and marketing efforts by our European and Asian operating subsidiaries; development of other prostone compounds; and working capital, capital expenditures and other general corporate purposes, which may include the acquisition or in-license of complementary technologies, products or businesses. See "Use of Proceeds."
Risk factors	See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our class A common stock.
Proposed NASDAQ National Market symbol	SCMP

The number of shares of our class A and class B common stock to be outstanding after this offering is based on shares outstanding as of May 31, 2006. The number of shares to be outstanding after this offering excludes:

- 253,600 shares of our class A common stock issuable upon the exercise of stock options outstanding as of May 31, 2006 at a weighted average exercise price of $41.88 per share; and
- an aggregate of 1,500,000 shares of class A common stock reserved for future issuance under our equity compensation plans as of the completion of this offering.

Unless otherwise noted, all information in this prospectus assumes:

- no exercise of the outstanding options described above;
- no exercise by the underwriters of their option to purchase up to shares of class A common stock to cover over-allotments;

- the conversion of all outstanding shares of our preferred stock into an aggregate of 378,000 shares of class A common stock, which will occur automatically upon the closing of this offering; and
- completion of the acquisition by our company of two affiliated European and Asian operating companies, Sucampo Pharma Europe Ltd., or Sucampo Europe, and Sucampo Pharma, Ltd., or Sucampo Japan, as described under "Certain Relationships and Related Party Transactions — Sucampo Group Reorganization" appearing elsewhere in this prospectus, which acquisition has been approved by our board of directors and will be completed prior to completion of this offering. Following this acquisition, Sucampo Europe and Sucampo Japan will be wholly owned subsidiaries of our company.

Summary Combined Financial Data

The following is a summary of our combined financial information. You should read this information together with our combined financial statements and the related notes appearing at the end of this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus.

Prior to the closing of this offering, we will acquire all of the capital stock of Sucampo Europe and Sucampo Japan. Accordingly, in this prospectus, except as otherwise expressly provided, we have presented financial information that reflects our financial position, results of operations and cash flows on a combined basis with these two operating companies.

Historical net income (loss) per share information is not presented due to the stock outstanding from multiple issuers, reflecting the combined nature of our financial statements. Please see note 3 to our combined financial statements appearing at the end of this prospectus for an explanation of the method used to calculate the pro forma net income per share and the number of shares used in the computation of pro forma per share amounts.

The pro forma balance sheet data set forth below gives effect to our issuance in April 2006 of 52,795 shares of class A common stock in a private placement transaction, and our receipt of $4.5 million in net proceeds from that transaction.

The pro forma as adjusted balance sheet data set forth below gives further effect to our issuance and sale of shares of class A common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and offering expenses payable by us.

	Years Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006
	(in thousands, except per share data)				
Statement of operations data:					
Revenues	$ 4,125	$ 2,665	$ 47,007	$ 14,636	$ 25,708
Research and development	18,444	14,036	29,888	6,920	6,120
Selling, general and administrative	7,448	8,227	8,116	1,485	3,770
Milestone royalties — related parties	—	—	1,500	500	1,250
Operating (loss) income	(21,767)	(19,598)	7,503	5,731	14,568
Total non-operating income (expense), net	(250)	(56)	990	(73)	425
(Loss) income before taxes	(22,017)	(19,654)	8,493	5,658	14,993
Income tax provision	—	—	(1,768)	(558)	(3,728)
Net (loss) income	$ (22,017)	$ (19,654)	$ 6,725	$ 5,100	$ 11,265
Basic pro forma net income per share			$ 1.60		$ 2.67
Diluted pro forma net income per share			$ 1.55		$ 2.59
Pro forma weighted average common shares outstanding — basic			4,213		4,214
Pro forma weighted average common shares outstanding — diluted			4,331		4,343

	As of March 31, 2006		
	Actual	Pro Forma	Pro Forma As Adjusted
		(in thousands)	
Balance sheet data:			
Cash and cash equivalents	$ 44,352	$ 48,840	
Short-term investments	28,537	28,537	
Working capital	49,941	54,429	
Total assets	75,247	79,735	
Total liabilities	49,201	49,201	
Accumulated deficit	(27,046)	(27,046)	
Total stockholders' equity	26,046	30,534	

RISK FACTORS

Investing in our class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information included in this prospectus, including the combined financial statements and related notes appearing at the end of this prospectus, before deciding to invest in our class A common stock. If any of the following risks actually occur, they may materially harm our business, prospects, financial condition and results of operations. In this event, the market price of our class A common stock could decline and you could lose part or all of your investment.

Risks Related to Our Limited Commercial Operations

We have historically incurred significant losses and we might not achieve or maintain operating profitability.

We have only recently initiated commercial sales of our first product, AMITIZA, for the treatment of chronic idiopathic constipation in adults, and we have not yet recorded any product revenues. Since our formation, we have incurred significant operating losses and, as of March 31, 2006, we had an accumulated combined deficit of $27.0 million. Our combined net losses were $22.0 million in 2003 and $19.7 million in 2004. Although we had combined net income of $6.7 million in 2005 and $11.3 million in the quarter ended March 31, 2006, this was attributable to our receipt of one-time milestone payments totaling $30.0 million in 2005 and $20.0 million in the quarter ended March 31, 2006. Our historical losses have resulted principally from costs incurred in our research and development programs and from our general and administrative expenses. We expect to continue to incur significant and increasing expenses for at least the next several years as we continue our research activities and conduct development of, and seek regulatory approvals for, additional indications for AMITIZA and for other drug candidates. Whether we are able to achieve operating profitability in the future will depend upon our ability to generate revenues that exceed these expenses. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. If we are unable to achieve and maintain profitability, the market value of our class A common stock will decline and you could lose all or a part of your investment.

If we are unable to successfully commercialize our first product, AMITIZA, for the treatment of chronic idiopathic constipation in adults or other indications for which we are developing this drug, or experience significant delays in doing so, our ability to generate product-based revenues and achieve profitability will be jeopardized.

In the near term, our ability to generate product-based revenues will depend on the successful commercialization and continued development of AMITIZA. We expect to record our first product revenue from AMITIZA in the quarter ending June 30, 2006. The commercial success of AMITIZA will depend on several factors, including the following:

- the effectiveness of Takeda's sales force, as supplemented by the specialty sales force we have engaged, in marketing and selling AMITIZA in the United States for the treatment of chronic idiopathic constipation in adults;
- the ability of R-Tech, which has the exclusive right to manufacture and supply AMITIZA, or any substitute manufacturer to supply quantities sufficient to meet market demand and at acceptable levels of quality and price;
- acceptance of the product within the medical community and by third party payors;
- successful completion of clinical trials of AMITIZA for the treatment of other constipation-related gastrointestinal indications beyond chronic idiopathic constipation; and
- receipt of marketing approvals from the FDA and similar foreign regulatory authorities for the treatment of other indications, including marketing approval in the United States and Europe for AMITIZA to treat irritable bowel syndrome with constipation.

If we are not successful in commercializing AMITIZA for the treatment of chronic idiopathic constipation or other indications, or are significantly delayed in doing so, our business will be materially harmed.

We have limited experience commercializing drug products. If we are not successful in making the transition from a pre-commercial stage company to a commercial company, our ability to become profitable will be compromised.

For most of our operating history, we have been a pre-commercial stage company. We are in the process of transitioning to a company capable of supporting commercial activities, and we may not be successful in this transition. Our operations to date have been limited to organizing and staffing our company, developing prostone technology, undertaking preclinical and clinical trials of our product candidates and coordinating the U.S. regulatory approval process for AMITIZA for the treatment of chronic idiopathic constipation in adults. To make the transition to a commercial company, we will need to develop internally, or contract with third parties to provide us with, the capabilities to manufacture a commercial scale product and to conduct the sales and marketing activities necessary for successful product commercialization. While we expect R-Tech to perform these manufacturing functions and Takeda to perform many of these sales and marketing functions with respect to the sale of AMITIZA in the United States, we may nevertheless encounter unforeseen expenses, difficulties, complications and delays as we establish these commercial functions for AMITIZA and for other products for which we may receive regulatory marketing approval. As we continue to develop and seek regulatory approval of additional product candidates and additional indications for AMITIZA, and to pursue regulatory approvals for AMITIZA and other products outside the United States, it could be difficult for us to obtain and devote the resources necessary to successfully manage our commercialization efforts. If we are not successful in completing our transition to a commercial company, our ability to become profitable will be jeopardized and the market price of our class A common stock is likely to decline.

Risks Related to Employees and Managing Growth

If we are unable to retain our president and chief executive officer and chief scientific and operating officer and other key executives, we may not be able to successfully develop and commercialize our products.

We are highly dependent on Dr. Sachiko Kuno, our president and chief executive officer, and Dr. Ryuji Ueno, our chief scientific and operating officer, and the other principal members of our executive and scientific teams. The loss of the services of any of these persons might impede the achievement of our product development and commercialization objectives. We have employment agreements with Drs. Kuno and Ueno and other executives, but they are free to discontinue working for us at any time. We do not maintain key-man life insurance on any of our executives.

If we fail to attract, retain and motivate qualified personnel, we may not be able to pursue our product development and commercialization programs.

Recruiting and retaining qualified scientific and commercial personnel, including clinical development, regulatory, and marketing and sales executives and field personnel, will be critical to our success. If we fail to recruit and then retain these personnel, our ability to pursue our clinical development and product commercialization programs will be compromised. 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 personnel from universities and research institutions.

We expect to expand our development, regulatory 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 drug development, regulatory affairs 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 resources, 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.

We have identified material weaknesses in our internal control over financial reporting and those of Sucampo Europe and Sucampo Japan. If we fail to achieve and maintain effective internal control over financial reporting, we could face difficulties in preparing timely and accurate financial reports, which could lead to delisting of our class A common stock from The NASDAQ National Market, result in a loss of investor confidence in our reported results and cause the price of our class A common stock to fall.

In connection with the anticipated acquisition of Sucampo Europe and Sucampo Japan and our preparation of audited financial information for those two entities for the year ended December 31, 2005, we identified control deficiencies related to those entities that constitute material weaknesses in the design and operation of our internal controls over financial reporting.

In general, a material weakness is defined as a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. The material weaknesses we identified are as follows:

- We did not maintain effective controls over the completeness and accuracy of revenue recognition. Specifically, effective controls were not designed and in place to adequately review contracts for the accuracy and proper cut-off of revenue recognition at Sucampo Europe and Sucampo Japan. This control deficiency resulted in adjustments to the revenue and deferred revenue accounts. Additionally, this control deficiency could result in a misstatement of the revenue and deferred revenue accounts that would result in a material misstatement to our interim or annual financial statements that would not be prevented or detected.
- We did not maintain effective controls over the completeness and accuracy of the accounting for debt instruments. Specifically, effective controls were not designed and in place to adequately review debt agreements of Sucampo Europe and Sucampo Japan for the proper accounting implications, or to ensure appropriate communication within our company regarding the existence of all debt agreements. This control deficiency resulted in adjustments to accounts payable, other liabilities and notes payable accounts. Additionally, this control deficiency could result in a misstatement of accounts payable, other liabilities and notes payable accounts that would result in a material misstatement to our interim or annual financial statements that would not be prevented or detected.
- We did not maintain effective controls over the preparation, review and presentation of the financial information prepared in accordance with U.S. generally accepted accounting principles reflecting Sucampo Europe and Sucampo Japan's operations. Specifically, effective controls were not designed and in place to adequately review, analyze and monitor these affiliates' financial information, nor did we have a standard reporting format for these affiliates, accounting procedures and policies manuals, formally documented controls and procedures or a formal process to review and analyze financial information of these affiliates. This control deficiency resulted in adjustments to revenue, deferred revenue, accounts payable, other liabilities and notes payable accounts, as well as the statement of cash flows. Additionally, this control deficiency could result in a misstatement in a number of our financial statement accounts, including the statement of cash flows, resulting in a material misstatement to our interim or annual financial statements that would not be prevented or detected.

If we are unable to remediate these material weaknesses, we may not be able to accurately and timely report our financial position, results of operations or cash flows as a public company. Becoming subject to the public reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, upon the completion of this offering will intensify the need for us to report our financial position, results of operations and cash flows on an accurate and timely basis. Because we and Sucampo Europe and Sucampo Japan have

not historically been managed by the same management group and because we have never had to prepare financial statements which included other entities, we may not be able to prepare complete and accurate financial statements on a timely basis, which could result in delays in our public filings and ultimately delisting of our class A common stock from The NASDAQ National Market.

The remediation of our internal control over financial reporting as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" is currently ongoing. We cannot assure you that we will be able to remediate these weaknesses. If we are not able to remediate these weaknesses, our ability to accurately and timely report our financial position, results of operations or cash flows could be impaired.

The requirements of being a public company may strain our resources and distract management.

As a public company, we will incur significant legal, accounting, corporate governance and other expenses that we did not incur as a private company. We will be subject to the requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, the NASDAQ National Market and other rules and regulations. These rules and regulations may place a strain on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. Sarbanes-Oxley requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We currently do not have an internal audit group. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, we will need to devote significant resources and management oversight. As a result, management's attention may be diverted from other business concerns. In addition, we will need to hire additional accounting staff with appropriate public company experience and technical accounting knowledge and we cannot assure you that we will be able to do so in a timely fashion.

These rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Risks Related to Product Development and Commercialization

Commercial rights to some prostone compounds will revert back to Sucampo AG in the future unless we devote sufficient development resources to those compounds during the next several years; if any of the compounds that revert back to Sucampo AG subsequently become valuable compounds, we will have lost the commercial rights to those compounds and will not be able to develop or market them, and the reverted compounds could ultimately compete with compounds we are developing or marketing.

Sucampo AG has granted to us an exclusive worldwide license to develop and commercialize products based upon Sucampo AG's extensive portfolio of U.S. and foreign patents and patent applications relating to prostone technology. To retain our license rights to any prostone compounds other than AMITIZA, SPI-8811 and SPI-017, we are required to perform preclinical testing over a specified period on those compounds and to generate specified pharmacological and toxicity data. The specified period ends on the later of September 30, 2011 or three months after the date upon which Drs. Kuno and Ueno no longer control our company. At the end of the specified period, Sucampo AG can terminate our license with respect to any compounds as to which we have not performed the required testing, except for any compounds we designate as compounds for which we intend in good faith to perform the required testing within the following twelve months. At the end of that twelve-month period, Sucampo AG may terminate our license as to any of the designated compounds for which we have not performed the required testing.

We will need to focus our development resources and funding on a limited number of compounds during the specified period. The decision whether to commit development resources to a particular compound will

require us to determine which compounds have the greatest likelihood of commercial success. Dr. Ueno and his staff will be primarily responsible for making these decisions on our behalf. In this process, we will likely commit resources to some compounds that do not prove to be commercially feasible and we may overlook other compounds that later prove to have significant commercial potential. If we do not identify and commit resources to one of these valuable compounds, the commercial rights with respect to the compound will eventually revert back to Sucampo AG. After the reversion of these rights to Sucampo AG, we will have no ability to develop or commercialize the compound. Although Sucampo AG will be prohibited from developing products that compete with our products prior to the Sucampo AG reversion date, thereafter they will be free to develop competitive products. In addition, although Sucampo AG will be prohibited from marketing products that compete with our products for 21 months after the Sucampo AG reversion date, after that date Sucampo AG will be permitted to market products, including products covered by the reverted license rights, in competition with us.

If our preclinical studies do not produce successful results or if our clinical trials do not demonstrate safety and efficacy in humans, our ability to develop additional indications for AMITIZA and to develop and commercialize other product candidates will be impaired.

Before obtaining regulatory approval for the sale of our product candidates, we must conduct extensive preclinical tests and clinical trials to demonstrate the safety and efficacy in humans of our product candidates. Preclinical and clinical testing is expensive, is difficult to design and implement, can take many years to complete and is uncertain as to outcome. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and interim results of a clinical trial do not necessarily predict final results. A failure of one or more of our clinical trials can occur at any stage of testing. We may experience numerous unforeseen events during, or as a result of, preclinical testing and the clinical trial process that could delay or prevent our ability to receive regulatory approval or commercialize our product candidates, including:

- regulators or institutional review boards may not authorize us to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- our preclinical tests or clinical trials may produce negative or inconclusive results, and as a result we may decide, or regulators may require us, to conduct additional preclinical testing or clinical trials or we may abandon projects that we consider to be promising. For example, the efficacy results in two of our Phase IIa trials of SPI-8811, specifically the trials for the treatment of non-alcoholic fatty liver disease and for the treatment of cystic fibrosis, were inconclusive. Therefore, further clinical testing will be required in connection with the development of this compound for these indications;
- enrollment in our clinical trials may be slower than we currently anticipate, resulting in significant delays, or participants may drop out of our clinical trials at rates that are higher than we currently anticipate;
- we might have to suspend or terminate our clinical trials if we discover that the participating patients are being exposed to unacceptable health risks;
- regulators or institutional review boards may require that we hold, suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements;
- the cost of our clinical trials may be greater than we currently anticipate;
- we might have difficulty obtaining sufficient quantities of the product candidate being tested to complete our clinical trials;
- any regulatory approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the product not commercially viable; and
- the effects of our product candidates may not be the desired or anticipated effects or may include undesirable side effects, or the product candidates may have other unexpected characteristics. For example, in preclinical tests of AMITIZA, the drug demonstrated a potential to cause fetal loss in guinea pigs and, as a result, its label includes cautionary language as to its use by pregnant women.

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

- be delayed in obtaining marketing approval for our product candidates;
- not be able to obtain marketing approval; or
- obtain approval for indications that are not as broad as those for which we apply.

Our product development costs will also increase if we experience delays in testing or approvals. We do not know whether our clinical trials will begin as planned, will need to be restructured or will be completed on schedule, if at all. Significant clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to commercialize our products or product candidates.

We are required to conduct supplemental post-marketing clinical trials of AMITIZA and we may elect to perform additional clinical trials for other indications or in support of applications for regulatory marketing approval in jurisdictions outside the United States. These supplemental trials could be costly and could result in findings inconsistent with our historic U.S. clinical trials.

In connection with our marketing approval for AMITIZA for the treatment of chronic idiopathic constipation in adults, we committed to the FDA to conduct post-marketing studies of the product in pediatric patients and in patients with renal and hepatic impairment. In the future, we may be required, or we may elect, to conduct additional clinical trials of AMITIZA. In addition, if we seek marketing approval from regulatory authorities in jurisdictions outside the United States, such as the European Medicines Agency, or EMEA, they may require us to submit data from supplemental clinical trials in addition to data from the clinical trials that supported our U.S. filings with the FDA. Any requirements to conduct supplemental trials would add to the cost of developing our product candidates. Additional or supplemental trials could also produce findings that are inconsistent with the trial results we have previously submitted to the FDA, in which case we would be obligated to report those findings to the FDA. This could result in new restrictions on AMITIZA's existing marketing approval for chronic idiopathic constipation in adults or could force us to stop selling AMITIZA altogether. Inconsistent trial results could also lead to delays in obtaining marketing approval in the United States for other indications for AMITIZA or for other product candidates, could cause regulators to impose restrictive conditions on marketing approvals and could even make it impossible for us to obtain marketing approval. Any of these results could materially impair our ability to generate revenues and to achieve or maintain profitability.

If we are unable to establish sales and marketing capabilities or successfully use third parties to market and sell our products, we may be unable to generate sufficient product revenues to become profitable.

We currently have very limited sales and distribution capabilities and little experience in marketing and selling pharmaceutical products. To achieve commercial success for AMITIZA and any other approved products, we must either develop a sales and marketing organization or outsource these functions to third parties. There are risks associated with either of these alternatives. For example, developing a sales force is expensive and time consuming and could delay any product launch. If the commercial launch of a product for which we recruit a sales force and establish marketing capabilities were delayed, we would incur related expenses too early relative to the product launch. This may be costly, and our investment would be lost if we could not retain our sales and marketing personnel.

We have entered into a joint collaboration and license agreement with Takeda for the commercialization of AMITIZA for gastrointestinal indications in the United States and Canada. Takeda will market AMITIZA for the treatment of chronic idiopathic constipation in adults broadly to office-based specialty physicians and primary care physicians in the United States. We have also entered into an agreement with Ventiv Commercial Services, LLC, or Ventiv, to provide us with a specialty sales force to market AMITIZA to hospital-based specialist physicians and long-term care facilities. The Takeda sales force dedicated to selling AMITIZA will be significantly larger than our contract sales force, and we will therefore be heavily dependent on the

marketing and sales efforts of Takeda. If our contract specialty sales force is not effective, or if Takeda is less successful in selling AMITIZA than we anticipate, our ability to generate revenues and achieve profitability will be significantly compromised.

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

The development and commercialization of pharmaceutical products is highly competitive. We expect to face intense competition with respect to AMITIZA and our other product candidates from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. 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. Our competitors may develop products that are safer, more effective, have fewer side effects, are more convenient or are less costly than AMITIZA or the other product candidates that we are developing or that would render AMITIZA or our other product candidates obsolete or uncompetitive. Our competitors may also obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours or achieve product commercialization before we do. If any of our competitors develops a product that is more effective, safer or more convenient for patients, or is able to obtain FDA approval for commercialization before we do, we may not be able to achieve market acceptance for our products, which would impair our ability to generate revenues and recover the substantial developments costs we have incurred and will continue to incur.

There are currently approved therapies for the diseases and conditions addressed by AMITIZA. For example, Zelnorm®, which is marketed by Novartis Pharmaceuticals Corporation, has been approved both for the treatment of chronic idiopathic constipation in adults under 65 years of age and for the short-term treatment of irritable bowel syndrome with constipation in women. In addition, the osmotic laxatives MiraLax™ (polyethylene glycol 3350), which is marketed by Braintree Laboratories, Inc., and lactulose, which is produced by Solvay S.A., have each been approved for the treatment of occasional constipation.

Several companies also are working to develop new drugs and other therapies for these same diseases and conditions. Some of these potential competitive drug products include:

- Drugs targeting serotonin receptors for the treatment of irritable bowel syndrome with constipation, such as Renzapride, being developed by Alizyme plc and currently in Phase III clinical trials; and
- Opioid antagonists such as Entereg® (alvimopan), being developed by Adolor Corporation and currently in Phase III clinical trials, and methylnaltrexone, being developed by Progenics Pharmaceuticals, Inc. and currently in Phase III clinical trials, each for the treatment of opioid-induced bowel dysfunction.

We face similar competition from approved therapies and potential drug products for the diseases and conditions addressed by SPI-8811 and SPI-017, and are likely to face significant competition for any other product candidates we may elect to develop in the future.

Many of our competitors may 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 or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies.

The commercial success of AMITIZA and any other products that we may develop will depend upon the degree of market acceptance by physicians, patients, healthcare payors and others in the medical community.

AMITIZA and any other products that we bring to the market may not gain acceptance by physicians, patients, healthcare payors and others in the medical community. If these products do not achieve an adequate level of acceptance, we may not generate sufficient product revenues to become profitable. The degree of

market acceptance of AMITIZA and any other products approved for commercial sale will depend on a number of factors, including:

- the prevalence and severity of any side effects. For example, the most common side effects reported by participants in our clinical trials of AMITIZA were nausea, which was reported by 31% of trial participants, and diarrhea and headache, both of which were reported by 13% of trial participants;
- the efficacy and potential advantages over alternative treatments;
- the competitiveness of the pricing of our products;
- the relative convenience and ease of administration of our products compared with other alternatives;
- the timing of the release of our products to the public compared to alternative products or treatments;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support; and
- the level of third party coverage or reimbursement.

If we are unable to obtain adequate reimbursement from third party payors for AMITIZA and any other products that we may develop, or acceptable prices for those products, our revenues and prospects for profitability will suffer.

Our revenues and ability to become profitable will depend heavily upon the availability of adequate reimbursement for the use of our products from governmental and other third party payors, both in the United States and in foreign markets. Reimbursement by a third party payor may depend upon a number of factors, including the third party payor's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost effective; and
- neither experimental nor investigational.

Obtaining reimbursement approval for a product from each government or other third party payor is a time-consuming and costly process that could require us to provide supporting scientific, clinical and cost-effectiveness data for the use of our products to each payor. We may not be able to provide data sufficient to gain acceptance with respect to reimbursement. Even when a payor determines that a product is eligible for reimbursement, the payor may impose coverage limitations that preclude payment for some product uses that are approved by the FDA or comparable authorities. Moreover, eligibility for coverage does not imply that any product will be reimbursed in all cases or at a rate that allows us to make a profit or even cover our costs. If we are not able to obtain coverage and profitable reimbursement promptly from government-funded and private third party payors for our products, our ability to generate revenues and become profitable will be compromised.

Recent federal legislation will increase the pressure to reduce prices of prescription drugs paid for by Medicare, which could limit our ability to generate revenues.

In 2003, the United States government enacted legislation providing a partial prescription drug benefit for Medicare recipients, which became effective at the beginning of 2006. Government payment for some of the costs of prescription drugs may increase demand for any products for which we receive marketing approval. However, to obtain payments under this program, we will be required to sell products to Medicare recipients through drug procurement organizations operating pursuant to this legislation. These organizations will negotiate prices for our products, which are likely to be lower than those we might otherwise obtain. Federal,

state and local governments in the United States continue to consider legislation to limit the growth of healthcare costs, including the cost of prescription drugs. Future legislation could limit payments for pharmaceuticals such as AMITIZA and the other product candidates that we are developing.

Recent proposed legislation may permit re-importation of drugs from foreign countries into the United States, including foreign countries where the drugs are sold at lower prices than in the United States, which could force us to lower the prices at which we sell our products and impair our ability to derive revenues from these products.

Legislation has been introduced in the U.S. Congress that, if enacted, would permit more widespread re-importation of drugs from foreign countries into the United States. This could include re-importation from foreign countries where the drugs are sold at lower prices than in the United States. Such legislation, or similar regulatory changes, could lead to a decrease in the price we receive for any approved products, which, in turn, could impair our ability to generate revenues. Alternatively, in response to legislation such as this, we might elect not to seek approval for or market our products in foreign jurisdictions in order to minimize the risk of re-importation, which could also reduce the revenue we generate from our product sales.

Foreign governments tend to impose strict price controls, which may limit our ability to generate revenues.

In some foreign countries, particularly Japan and the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our products to other available therapies. If reimbursement of our products is unavailable in particular countries or limited in scope or amount, or if pricing is set at unsatisfactory levels, our ability to generate revenue in these countries will be compromised.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of any products that we may develop.

We face an inherent risk of product liability exposure, both from the testing of our product candidates in human clinical trials and from the sale of AMITIZA and any other drugs we may sell in the future. If we cannot successfully defend ourselves against claims that our products or product candidates caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, product liability claims may result in:

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

We currently have product liability insurance that covers our clinical trials and our commercial sales of AMITIZA up to an annual aggregate limit of $20.0 million and subject to a per claim deductible. We do not currently have product liability insurance covering clinical trials in pediatric patients, and we will need to negotiate coverage of this type before we commence pediatric trials of AMITIZA in January 2007. The amount or scope of our product liability insurance may not be adequate to cover all liabilities that we may incur. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost, and we may not be able to obtain insurance coverage that will be adequate to cover any

liability that may arise. We may not have sufficient resources to pay for any liabilities resulting from a claim beyond the limits of our insurance coverage. If we cannot protect against product liability claims, we or our collaborators may find it difficult or impossible to commercialize our products.

Our strategy of generating growth through acquisitions and in-licenses may not be successful if we are not able to identify suitable acquisition or licensing candidates, to negotiate the terms of any such transaction or to successfully manage the integration of any acquisition.

As part of our business strategy, we intend to pursue strategic acquisitions and in-licensing opportunities with third parties to complement our existing product pipeline. We have no experience in completing acquisitions with third parties to date and we may not be able to identify appropriate acquisition or licensing candidates or to successfully negotiate the terms of any such transaction. The licensing and acquisition of pharmaceutical and biological products is a competitive area. A number of more established companies are also pursuing strategies to license or acquire products in the pharmaceutical field, and they may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. If we are unable to successfully complete acquisitions or in-licensing transactions for suitable products and product candidates, our prospects for growth could suffer.

Even if we are successful in completing one or more acquisitions, the failure to adequately address the financial, operational or legal risks of these transactions could harm our business. To finance an acquisition, we could be required to use our cash resources, issue potentially dilutive equity securities or incur or assume debt or contingent liabilities. Accounting for acquisitions can require impairment losses or restructuring charges, large write-offs of in-process research and development expense and ongoing amortization expenses related to other intangible assets. In addition, integrating acquisitions can be difficult, and could disrupt our business and divert management resources. If we are unable to manage the integration of any acquisitions successfully, our ability to develop new products and continue to expand our product pipeline may be impaired.

We may need substantial additional funding and be unable to raise capital when needed, which could force us to delay, reduce or abandon our commercialization efforts or product development programs.

We expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution of AMITIZA. In addition, we expect our research and development expenses to increase in connection with our ongoing activities. We may need substantial additional funding and be unable to raise capital when needed or on attractive terms, which would force us to delay, reduce or abandon our commercialization efforts or development programs.

We have financed our operations and internal growth principally through private placements of equity securities, payments received under our collaboration agreement with Takeda and milestone and other payments from Sucampo AG and R-Tech. We believe that the net proceeds from this offering, together with our existing cash and cash equivalents and internally generated funds that we anticipate from AMITIZA product sales, will be sufficient to enable us to fund our operating expenses for the foreseeable future. Our future funding requirements, however, will depend on many factors, including:

- actual levels of AMITIZA product sales;
- the cost of commercialization activities, including product marketing, sales and distribution;
- the scope and results of our research, preclinical and clinical development activities;
- the timing of, and the costs involved in, obtaining regulatory approvals;
- the costs involved in obtaining and maintaining proprietary protection for our products, technology and know-how, including litigation costs and the results of such litigation;
- the extent to which we acquire or invest in businesses, products and technologies;

- the success of our collaboration with Takeda; and
- our ability to establish and maintain additional collaborations.

If we are required to raise additional funds from external sources, we might accomplish this through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. If we raise additional funds by issuing equity securities, you may experience dilution. The holders of any new equity securities we issue may have rights, preferences or privileges that are senior to yours. 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 collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights and related intellectual property to our technologies, research programs, products or product candidates.

Risks Related to Our Dependence on Third Parties, Including Related Parties

We have no manufacturing capabilities and are dependent upon R-Tech to manufacture and supply us with our product and product candidates. If R-Tech does not manufacture AMITIZA or our other product candidates in sufficient quantities, at acceptable quality levels and at acceptable cost and if we are unable to identify a suitable replacement manufacturer, our sales of AMITIZA and our further clinical development and commercialization of other products could be delayed, prevented or impaired.

We do not own or operate manufacturing facilities and have little experience in manufacturing pharmaceutical products. We currently rely, and expect to continue to rely, exclusively on R-Tech to supply Takeda and us with AMITIZA, SPI-8811 and SPI-017 and any future prostone compounds that we may determine to develop or commercialize. We have granted R-Tech the exclusive worldwide right to manufacture and supply AMITIZA until June 2025, and we do not have an alternative source of supply for AMITIZA. We also do not have an alternative source of supply for SPI-8811 or SPI-017, which R-Tech manufactures and supplies to us. If R-Tech is not able to supply AMITIZA or these other compounds on a timely basis, in sufficient quantities and at acceptable levels of quality and price and if we are unable to identify a replacement manufacturer to perform these functions on acceptable terms, sales of AMITIZA would be significantly impaired and our development programs could be seriously jeopardized.

The risks of relying solely on R-Tech for the manufacture of our products include:

- we rely solely on R-Tech for quality assurance and their continued compliance with regulations relating to the manufacture of pharmaceuticals;
- R-Tech's manufacturing capacity may not be sufficient to produce commercial quantities of our product, or to keep up with subsequent increases in the quantities necessary to meet potentially growing demand;
- R-Tech may not have access to the capital necessary to expand its manufacturing facilities in response to our needs;
- in light of the complexity of the manufacturing process for prostones, if R-Tech were to cease conducting business, or if its operations were to be interrupted, it would be difficult and time consuming for us to find a replacement supplier and the change would need to be submitted to and approved by the FDA;
- R-Tech has substantial proprietary know-how relating to the manufacture of prostones and, in the event we must find a replacement or supplemental manufacturer or we elect to contract with another manufacturer to supply us with products other than AMITIZA, we would need to transfer this know-how to the new manufacturer, a process that could be both time consuming and expensive to complete;
- R-Tech relies upon one supplier for the primary ingredient used in the manufacture of prostones;

- R-Tech may experience events, such as a fire or natural disaster, that force it to stop or curtail production for an extended period; and
- R-Tech could encounter significant increases in labor, capital or other costs that would make it difficult for R-Tech to produce our products cost-effectively.

Our current and anticipated future dependence upon R-Tech for the manufacture of our products and product candidates may adversely affect our future revenues, our cost structure and our ability to develop product candidates and commercialize any approved products on a timely and competitive basis. In addition, if R-Tech should cease to manufacture prostones for our clinical trials for any reason, we likely would experience delays in advancing these trials while we seek to identify and qualify replacement suppliers. We may be unable to obtain replacement supplies on a timely basis, on terms that are favorable to us or at all.

We and R-Tech are dependent upon a single contract manufacturer to complete the final stage of manufacture of AMITIZA.

R-Tech has subcontracted with a single contract manufacturer to encapsulate the bulk form AMITIZA supplied by R-Tech into gelatin capsules and to package the final product for distribution in the United States. If this subcontractor experiences difficulties or delays in performing these services for any reason, our ability to deliver finished product to physicians and patients will be impaired during the period in which R-Tech seeks a replacement manufacturer, which could cause us to lose revenues. In addition, any change in the party providing encapsulation of AMITIZA would need to be approved by the FDA, and any change in the party packaging the product would need to be submitted to and reviewed by the FDA, which could make it more difficult and time-consuming to replace this subcontractor should that become necessary.

R-Tech and any other third party manufacturer of our products and product candidates are subject to significant regulations governing manufacturing facilities and procedures.

R-Tech, R-Tech's subcontractors and suppliers and any other manufacturer of our products or product candidates may not be able to comply with the FDA's current good manufacturing practice, or cGMP, regulations, other U.S. regulations or similar regulatory requirements in force outside the United States. These regulations govern manufacturing processes and procedures and the implementation and operation of systems to control and assure the quality of products approved for sale. In addition, the FDA may at any time audit or inspect a manufacturing facility to ensure compliance with cGMP. Our failure, or the failure of R-Tech, R-Tech's subcontractors and suppliers or any other third party manufacturer we use, to comply with applicable manufacturing 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, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our products and product candidates.

If it were to become necessary for us to replace R-Tech as contract manufacturer of our product and product candidates, we would compete with other products for access to appropriate manufacturing facilities and the change would need to be submitted to and approved by the FDA. Among manufacturers that operate under cGMP regulations, there are a limited number that would be both capable of manufacturing for us and willing to do so.

We depend significantly on our collaboration with Takeda, and may depend in the future on collaborations with other third parties, to develop and commercialize our product candidates.

A key element of our business strategy is to collaborate where appropriate with third parties, particularly leading pharmaceutical companies, to develop, commercialize and market our products and product candidates. We are currently party to a 16-year joint collaboration and license agreement with Takeda for the development and commercialization of AMITIZA for gastrointestinal indications in the United States and Canada.

Our agreement with Takeda provides that it may be terminated by either party if we fail to receive marketing approval from the FDA for AMITIZA for the treatment of irritable bowel syndrome with constipation and if we and Takeda do not thereafter agree on an alternative development and commercialization strategy. If Takeda were to terminate the agreement under these conditions, we would likely realize significantly lower revenues from sales of AMITIZA for the treatment of chronic idiopathic constipation until we could find a replacement marketing organization or develop our own, and our ability to continue our development program for AMITIZA for other gastrointestinal indications could be seriously compromised.

The success of our collaboration arrangement will depend heavily on the efforts and activities of Takeda. The risks that we face in connection with this collaboration, and that we anticipate being subject to in any future collaborations, include the following:

- our joint collaboration agreement with Takeda is, and any future collaboration agreements that we may enter into are likely to be, subject to termination under various circumstances;
- Takeda and other future collaborators may develop and commercialize, either alone or with others, products and services that are similar to or competitive with the products that are the subject of the collaboration with us;
- Takeda and other future collaborators may underfund or not commit sufficient resources to the testing, marketing, distribution or other development of our products;
- Takeda and other future collaborators may not properly maintain or defend our intellectual property rights or may utilize our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our proprietary information or expose us to potential liability; and
- Takeda and other future collaborators may change the focus of their development and commercialization efforts. Pharmaceutical and biotechnology companies historically have re-evaluated their priorities from time to time, including following mergers and consolidations, which have been common in recent years in these industries.

The ability of our products and product candidates to reach their potential could be limited if Takeda or any other future collaborators decrease or fail to increase spending relating to such products, fail to dedicate sufficient resources to promoting our products or change their business focus.

We rely upon a third party contract sales company to provide our contract sales force focused on the institutional market for AMITIZA in the United States, and we have limited control over the sales representatives employed by this company.

To complement Takeda's sales efforts, we have entered into an agreement with Ventiv to provide us with a specialty sales force to market AMITIZA to hospital-based specialist physicians and long-term care facilities. This contract sales force consists entirely of Ventiv employees and, although our own employees will be involved in monitoring this sales force, we will have limited control over their activities. This contract sales force may not be effective, and our ability to terminate individual sales representatives or our relationship with Ventiv will be limited. We do not have any experience managing a contract sales force and we may not be successful in this effort. If our contract sales force is not effective, our ability to generate revenues and achieve profitability may be significantly compromised.

Because we rely upon third parties to provide the sales representatives marketing AMITIZA, we may face increased risks arising from their misconduct or improper activities, which would harm our business.

Because we will have only limited capacity to monitor the sales efforts of Takeda's and Ventiv's employees, we may be exposed to increased risks arising from any misconduct or improper activities of these employees, including the potential off-label promotion of our products or their failure to adhere to standard requirements in connection with product promotion. Any such improper activities could hurt our reputation, cause us to become subject to significant liabilities and otherwise harm our business.

We may not be successful in establishing additional collaborations, which could compromise our ability to develop and commercialize products.

If we are unable to reach new agreements with suitable collaborators, we may fail to meet our business objectives for the affected product or program. We face significant competition in seeking appropriate collaborators. Moreover, these collaboration arrangements are complex and time-consuming to negotiate and document. We may not be successful in our efforts to establish additional collaborations or other alternative arrangements. The terms of any additional collaborations or other arrangements that we establish may not be as favorable to us as we anticipate. Moreover, these collaborations or other arrangements may not be successful.

We rely on third parties to conduct our clinical trials and those third parties may not perform satisfactorily or may fail to meet established deadlines for the completion of these trials.

We generally do not have the independent ability to conduct clinical trials for 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. Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. If these third parties do not carry out their contractual duties or meet expected deadlines, we will be delayed in obtaining, or may not be able to obtain, regulatory approvals for our product candidates and will be delayed in our efforts to, or may not be able to, successfully commercialize our product candidates.

In addition, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. The FDA requires us to comply with standards, commonly referred to as good clinical practices, for conducting and 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. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements.

Conflicts of interest may arise between us and Sucampo AG or R-Tech, and these conflicts might ultimately be resolved in a manner unfavorable to us.

Our founders, Dr. Sachiko Kuno and Dr. Ryuji Ueno, together wholly own Sucampo AG and own a majority of the stock of R-Tech. Dr. Ueno also is a director of Sucampo AG. Dr. Kuno and Dr. Ueno are married to each other. Ownership interests of our founders in the stock of R-Tech or Sucampo AG, or Dr. Ueno's service as a director of our company while at the same time serving as a director of Sucampo AG, could give rise to conflicts of interest when faced with a decision that could favor the interests of one of the affiliated companies over another. In addition, conflicts of interest may arise with respect to existing or possible future commercial arrangements between us and R-Tech or Sucampo AG in which the terms and conditions of the arrangements are subject to negotiation or dispute. For example, conflicts of interest could arise over matters such as:

- disputes over the cost or quality of the manufacturing services provided to us by R-Tech with respect to AMITIZA, SPI-8811 and SPI-017;
- a decision whether to engage R-Tech in the future to manufacture and supply compounds other than AMITIZA, SPI-8811 and SPI-017;
- decisions as to which particular prostone compounds, other than AMITIZA, SPI-8811 or SPI-017, we will commit sufficient development efforts to so that commercial rights to those compounds will not revert back to Sucampo AG at the Sucampo AG reversion date; or
- business opportunities unrelated to prostones that may be attractive both to us and to the other company.

If United States or foreign tax authorities disagree with our transfer pricing policies, we could become subject to significant tax liabilities.

We are a member of an affiliated group of entities, including Sucampo AG and R-Tech, each of which is directly or indirectly controlled by Drs. Kuno and Ueno. We have had and will continue to have significant commercial transactions with these entities. Furthermore, following the closing of this offering, we will operate two foreign subsidiaries, Sucampo Japan and Sucampo Europe. We expect to enter into commercial transactions with each of these entities on an ongoing basis. As a result of these transactions, we will be subject to complex transfer pricing regulations in both the United States and the other countries in which we and our affiliates operate. Transfer pricing regulations generally require that, for tax purposes, transactions between our affiliates and us be priced on a basis that would be comparable to an arm's length transaction and that contemporaneous documentation be maintained to support the related party agreements. To the extent that United States or any foreign tax authorities disagree with our transfer pricing policies, we could become subject to significant tax liabilities and penalties related to prior, existing and future related party agreements.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain proprietary protection for the intellectual property relating to our technology and products, the value of our technology and products will be adversely affected and our ability to derive revenue from our products would be impaired.

Our success depends in part on our ability, and that of Sucampo AG, to obtain and maintain proprietary protection for the technology and know-how upon which our products are based, to operate without infringing on the proprietary rights of others and to prevent others from infringing on our proprietary rights. The patent positions of companies like ours are generally uncertain and involve complex legal and factual questions. Our ability to maintain and solidify our proprietary position for our intellectual property will depend on our success, in conjunction with Sucampo AG, in obtaining effective claims and enforcing those claims once granted. The scope of protection afforded by a set of patent claims is subject to inherent uncertainty unless the patent has already been litigated and a court has ruled on the meaning of the claim language and other issues affecting how broadly a patent claim can be enforced. In some cases, we license patent applications from Sucampo AG instead of issued patents, and we do not know whether these patent applications will result in the issuance of any patents. Our licensed patents may be challenged, invalidated or circumvented, which could limit the term of patent protection for our products or diminish our ability to stop competitors from marketing related products. In addition, changes in either patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of Sucampo AG's patents and our intellectual property or narrow the scope of the protection provided by these patents. Accordingly, we cannot determine the degree of future protection for our proprietary rights in the licensed patents and patent applications. Furthermore, because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that, before any of our product candidates can be commercialized, a related patent may expire or may remain in force for only a short period following commercialization, thereby reducing any advantage of the patent.

The patents we license from Sucampo AG also may not afford us protection against competitors with similar technology. Because patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, or in some cases not at all, and because publications of discoveries in the scientific literature often lag behind actual discoveries, neither we nor our Sucampo AG can be certain that we or they were the first to make the inventions claimed in issued patents or pending patent applications, or that we or they were the first to file for protection of the inventions set forth in these patent applications.

Confidentiality agreements with our employees and other precautions may not be adequate to prevent disclosure of our proprietary information and know-how.

In addition to patented technology, we rely upon unpatented proprietary technology, processes and know-how developed both by Sucampo AG and by us. We and Sucampo AG seek to protect our respective proprietary technology and processes, in part, by confidentiality agreements with our respective employees, consultants, scientific advisors and contractors. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. These agreements or security measures may be breached, and we and Sucampo AG may not have adequate remedies for any such breach. In addition, our trade secrets may otherwise become known or be independently developed by competitors. If we or Sucampo AG are unable to protect the confidentiality of our proprietary information and know-how, competitors may be able to use this information to develop products that compete with our products, which could compromise our ability to produce revenue and achieve profitability.

If we infringe or are alleged to infringe intellectual property rights of third parties, our business could be harmed.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and biotechnology industries. Our research, development and commercialization activities and those of Sucampo AG, as well as any products or product candidates resulting from these activities, may infringe or be alleged to infringe patents or patent applications owned or controlled by other parties. These third parties could bring claims against us or one of our collaborators that would require us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us or one of our collaborators, we or they could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit.

As a result of patent infringement claims, or in order to avoid potential claims, we or one of our collaborators 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 or a collaborator were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we or one of our collaborators are unable to enter into licenses on acceptable terms. This could harm our business significantly.

We may be subject to other patent related litigation or proceedings that could be costly to defend and uncertain in their outcome.

In addition to infringement claims against us, we may become a party to other patent litigation and proceedings, including interference proceedings declared by the United States Patent and Trademark Office or opposition proceedings in the European Patent Office regarding intellectual property rights with respect to our products and technology, as well as other disputes with licensees, licensors or others with whom we have contractual or other business relationships for intellectual property. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could negatively affect our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management resources.

Risks Related to Regulatory Approval and Oversight

If we are not able to obtain required regulatory approvals, we will not be able to commercialize our product candidates and our ability to generate revenue will be materially impaired.

Our product candidates and the activities associated with their development and commercialization, including testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by authorities in other countries. Failure to obtain regulatory approval for a product candidate will prevent us from commercializing the product candidate.

Securing FDA approval requires the submission of extensive preclinical and clinical data, information about product manufacturing processes and inspection of facilities and supporting information to the FDA for each therapeutic indication to establish the product candidate's safety and efficacy. Our future products may not be effective, may be only moderately effective or may prove to have undesirable 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 is expensive, often takes many years, if approval is obtained at all, and can vary substantially based upon the type, complexity and novelty of the product candidates involved. Changes in the regulatory approval policy 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 are 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 a product candidate. Any regulatory approval we ultimately obtain may be limited in scope or subject to restrictions or post-approval commitments that render the product not commercially viable. If any regulatory approval that we obtain is delayed or is limited, we may decide not to commercialize the product candidate after receiving the approval.

Even if we receive regulatory approval for a product, the product could be subject to regulatory restrictions or withdrawal from the market, and we may be subject to penalties if we fail to comply with ongoing regulatory requirements.

AMITIZA and any other product for which we obtain 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 bodies. These requirements include submissions of safety and other post-marketing information and reports, registration requirements, cGMP requirements relating to quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if regulatory approval of a product 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. If we fail to comply with applicable regulatory requirements, we may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

We may experience unanticipated safety issues with our products after they are approved for marketing, which could harm our business and our reputation.

Because AMITIZA and our other product candidates are based on newly discovered prostone technology with novel mechanisms of action, there may be long-term safety risks associated with these products that are not identifiable or well-understood at early stages of development and commercialization. Later discovery of previously unknown problems with our products, manufacturers or manufacturing processes may result in:

- restrictions on such products, manufacturers or manufacturing processes;

- warning letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit; and
- voluntary or mandatory product recalls.

Failure to obtain regulatory approval in international jurisdictions would prevent us from marketing our products outside the United States.

We intend to market our products both domestically and outside the United States. In order to market our products in the European Union, Japan and many other foreign jurisdictions, we must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ from that required to obtain FDA approval. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval. We may not obtain foreign regulatory approvals 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 foreign regulatory authority does not ensure approval by regulatory authorities in other foreign 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.

We may not be able to obtain orphan drug exclusivity for our product candidates. If our competitors are able to obtain orphan drug exclusivity for a product that is the same drug as one of our product candidates and we cannot show that our product candidate is clinically superior, we may not be able to have competing products approved by the applicable regulatory authority for a significant period of time.

Regulatory authorities in some jurisdictions, including Europe and the United States, may designate drugs that target relatively small patient populations as orphan drugs. We have received an orphan drug designation from the FDA for the oral formulation of our product candidate SPI-8811 for the treatment of cystic fibrosis and we may pursue orphan drug designation for additional product candidates. Generally, if a product with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, the product is entitled to a period of marketing exclusivity. The exclusivity applies only to the indication for which the drug has been designated and approved. The applicable exclusivity period is seven years in the United States, but this period may be interrupted if a sponsor of a competitive product that is otherwise the same drug for the same use can show that its drug is clinically superior to our orphan drug candidate. The European exclusivity period is ten years, but may be reduced to six years if a drug no longer meets the criteria for orphan drug designation, including where it is shown that the drug is sufficiently profitable so that market exclusivity is no longer justified. In addition, European regulations establish that a competitor's marketing authorization for a similar product with the same indication may be granted if there is an insufficient supply of the product or if another applicant can establish that its product is safer, more effective or otherwise clinically superior. Obtaining orphan drug exclusivity for SPI-8811, both in the United States and in Europe, may be important to its success. If a competitor obtains orphan drug exclusivity for a product competitive with SPI-8811 before we do and if the competitor's product is the same drug with the same indication as ours, we would be excluded from the market, unless we can show that our drug is safer, more effective or otherwise clinically superior. Even if we obtain orphan drug exclusivity for SPI-8811 for these indications, we may not be able to maintain it if a competitor with a product that is otherwise the same drug can establish that its product is clinically superior.

We must comply with federal, state and foreign laws, regulations, and other rules relating to the health care business, and, if we are unable to fully comply with such laws, regulations and other rules, we could face substantial penalties.

We are or will be directly, or indirectly through our customers, subject to extensive regulation by the federal government, the states and foreign countries in which we may conduct our business. The laws that directly or indirectly affect our ability to operate our business include the following:

- the federal Medicare and Medicaid Anti-Kickback law, which prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce either the referral of an individual, or furnishing or arranging for a good or service, for which payment may be made under federal healthcare programs such as the Medicare and Medicaid Programs;
- other Medicare laws, regulations, rules, manual provisions and policies that prescribe the requirements for coverage and payment for services performed by our customers, including the amount of such payment;
- the federal False Claims Act, which imposes civil and criminal liability on individuals and entities who submit, or cause to be submitted, false or fraudulent claims for payment to the government;
- the federal False Statements Act, which 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; and
- state and foreign law equivalents of the foregoing and state laws regarding pharmaceutical company marketing compliance, reporting and disclosure obligations.

If our operations are found to be in violation of any of the laws, regulations, rules or policies described above or any other law or governmental regulation to which we or our customers are or will be subject, or if the interpretation of the foregoing changes, we may be subject to civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment or restructuring of our operations. Similarly, if our customers are found non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on us. Any penalties, damages, fines, curtailment or restructuring of our operations would harm our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions may be open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert management resources from the operation of our business and damage our reputation.

Our business activities involve the use of hazardous materials, which require compliance with environmental and occupational safety laws regulating the use of such materials. If we violate these laws, we could be subject to significant fines, liabilities or other adverse consequences.

Our research and development programs involve the controlled use of hazardous materials. Accordingly, we are subject to federal, state and local laws governing the use, handling and disposal of these materials. In addition, our collaborators may not comply with these laws. In the event of an accident or failure to comply with environmental laws, we could be held liable for substantial damages that result, and any such liability could exceed our assets and resources.

Risks Related to the Offering

After this offering, our founders will maintain the ability to control all matters submitted to stockholders for approval, which could result in actions of which you or other stockholders do not approve.

When this offering is completed, Dr. Sachiko Kuno, our president, chief executive officer and a director, and Dr. Ryuji Ueno, our chief operating officer, chief scientific officer and a director, will together beneficially own 683,665 shares of class A common stock and 3,081,300 shares of class B common stock, representing % of the combined voting power of our outstanding common stock. As a result, Drs. Kuno and Ueno acting by themselves will be able to control the outcome of all matters that our stockholders vote upon, including the election of directors, amendments to our certificate of incorporation, and mergers or other business combinations. The concentration of ownership and voting power also may have the effect of delaying or preventing a change in control of our company and could prevent stockholders from receiving a premium over the market price if a change in control is proposed.

Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management and hinder efforts to acquire a controlling interest in us, and the market price of our class A common stock may be lower as a result.

There are provisions in our certificate of incorporation and by-laws that may make it difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change in control was considered favorable by you and other stockholders. For example, our board of directors has the authority to issue up to 5,000,000 shares of preferred stock. The board of directors can fix the price, rights, preferences, privileges, and restrictions of the preferred stock without any further vote or action by our stockholders. The issuance of shares of preferred stock may delay or prevent a change in control transaction. As a result, the market price of our class A common stock and the voting and other rights of our stockholders may be adversely affected. An issuance of shares of preferred stock may result in the loss of voting control to other stockholders.

Our charter documents contain other provisions that could have an anti-takeover effect, including:

- the high-vote nature of our class B common stock;
- following the conversion of all shares of class B common stock into class A common stock, only one of our three classes of directors will be elected each year;
- following the conversion of all shares of class B common stock into class A common stock, stockholders will not be entitled to remove directors other than by a 75% vote and for cause;
- following the conversion of all shares of class B common stock into class A common stock, stockholders will not be permitted to take actions by written consent;
- stockholders cannot call a special meeting of stockholders; and
- stockholders must give advance notice to nominate directors or submit proposals for consideration at stockholder meetings.

In addition, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which regulates corporate acquisitions. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for our class A common stock. These provisions may also prevent changes in our management.

If you purchase shares of class A common stock in this offering, you will suffer immediate dilution of your investment.

We expect the initial public offering price of our class A common stock to be substantially higher than the net tangible book value per share of our class A common stock. Therefore, if you purchase shares of our class A common stock in this offering, you will pay a price per share that substantially exceeds our pro forma

net tangible book value per share after this offering. To the extent outstanding options or warrants are exercised, you will incur further dilution. Based on an assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus, you will experience immediate dilution of $ per share, representing the difference between our pro forma net tangible book value per share after giving effect to this offering and the initial public offering price. In addition, purchasers of class A common stock in this offering will have contributed approximately % of the aggregate price paid by all purchasers of our common stock but will own only approximately % of our common stock outstanding after this offering.

In addition, as of May 31, 2006, we had outstanding stock options to purchase an aggregate of 253,600 shares of class A common stock at a weighted average exercise price of $41.88 per share. To the extent these outstanding options are exercised, there will be further dilution to investors in this offering.

An active trading market for our class A common stock may not develop.

Prior to this offering, there has been no public market for our common stock. The initial public offering price for our class A common stock will be determined through negotiations with the underwriters and may bear no relationship to the price at which the class A common stock will trade upon completion of this offering. Although we have applied to have our class A common stock quoted on The NASDAQ National Market, an active trading market for our shares may never develop or be sustained following this offering. If an active market for our class A common stock does not develop, it may be difficult to sell shares you purchase in this offering without depressing the market price for the shares or to sell your shares at all.

Because our stock price may be volatile, purchasers of our class A common stock could incur substantial losses.

Our stock price is likely to be volatile. The stock market in general and the market for pharmaceutical and biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their class A common stock at or above the initial public offering price. The market price for our class A common stock may be influenced by many factors, including:

- failure of AMITIZA or other approved products, if any, to achieve commercial success;
- results of clinical trials of our product candidates or those of our competitors;
- the regulatory status of our product candidates;
- the success of competitive products or technologies;
- regulatory developments in the United States and foreign countries;
- developments or disputes concerning patents or other proprietary rights;
- the ability of R-Tech to manufacture our products to commercial standards in sufficient quantities;
- actual or anticipated fluctuations in our quarterly financial results;
- variations in the financial results 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; and
- general economic, industry and market conditions.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our

class A common stock. The failure by our management to apply these funds effectively could result in financial losses, cause the price of our class A common stock to decline and delay the development of our product candidates. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

We have never paid cash dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on our capital stock to date. We currently intend to retain our future earnings, if any, to fund the development and growth of our business. In addition, the terms of any existing or future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our class A common stock will be your sole source of gain for the foreseeable future.

A significant portion of our total outstanding shares are eligible to be sold into the market in the near future. This could cause the market price of our class A common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our class A common stock in the public market could occur at any time. If our stockholders sell, or the market perceives that our stockholders intend to sell, substantial amounts of our class A common stock in the public market following this offering, the market price of our class A common stock could decline significantly. Upon completion of this offering, we will have outstanding shares of common stock, assuming no exercise of outstanding options. Of these shares, the shares sold in this offering will be freely tradable, additional shares of common stock will be available for sale in the public market 90 days after the date of this prospectus, and additional shares of common stock will be available for sale in the public market 180 days after the date of this prospectus following the expiration of lock-up agreements between our stockholders and the underwriters. The representatives of the underwriters may release these stockholders from their 180-day lock-up agreements with the underwriters at any time and without notice, which would allow for earlier sales of shares in the public market. Moreover, after this offering, holders of an aggregate of 794,307 shares of our common stock will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We also intend to register the shares of class A common stock that we may issue in the future under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the 180-day lock-up agreements with our underwriters.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this prospectus 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,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will,” “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:

- our plans for selling and marketing AMITIZA in the United States for treatment of chronic idiopathic constipation in adults and our plans to seek regulatory approval to market AMITIZA in jurisdictions outside the United States;
- our plans to develop other indications for AMITIZA;
- our plans to develop SPI-8811 and SPI-017 and potentially other compounds;
- our collaborative arrangement with Takeda;
- our ongoing and planned research programs and clinical trials;
- the timing of and our ability to obtain and maintain regulatory approvals;
- the rate and degree of market acceptance and clinical utility of our products;
- our ability to quickly and efficiently develop clinical candidates;
- our marketing and manufacturing capabilities and strategy;
- our intellectual property portfolio;
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing; and
- our belief that the net proceeds from this offering, together with our existing cash and cash equivalents and internally generated funds from AMITIZA product sales, will be sufficient to enable us to fund our operating expenses for the foreseeable future.

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 prospectus, particularly in the “Risk Factors” section, that we believe 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, joint ventures or investments we may make.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, 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.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $ million, or approximately $ million if the underwriters exercise their over-allotment option in full, assuming an initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and offering expenses payable by us. A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease the net proceeds to us from this offering by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

We expect to use the net proceeds from this offering as follows:

- approximately $20.0 million to fund our share of development activities for AMITIZA for the treatment of additional gastrointestinal indications, including two ongoing pivotal Phase III clinical trials of AMITIZA for the treatment of irritable bowel syndrome with constipation;
- approximately $20.0 million to fund development activities for SPI-8811 and SPI-017, including a Phase II clinical trial of SPI-8811 for the prevention and treatment of NSAID-induced ulcers;
- up to $25.0 million to fund: expansion of our sales and marketing infrastructure in the United States; additional clinical trials and sales and marketing efforts by Sucampo Europe and Sucampo Japan; and development activities for prostone compounds other than AMITIZA, SPI-8811 and SPI-017; and
- any balance to fund working capital, capital expenditures and other general corporate purposes, which may include the acquisition or in-license of complementary technologies, products or businesses.

This expected use of proceeds from this offering represents our intentions based upon our current plans and business conditions. The amounts and timing of our actual expenditures may vary significantly depending upon numerous factors, including the progress of our development and commercialization efforts, the progress of our clinical trials and our operating costs and capital expenditures. As a result, we will retain broad discretion in the allocation of the net proceeds from this offering. We have no current understandings, commitments or agreements to acquire or in-license any technologies, products or businesses.

Pending use of the proceeds from this offering, we intend to invest the proceeds in short-term, investment-grade, interest-bearing instruments.

DIVIDEND POLICY

We have never paid or declared any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to fund the growth and development of our business, and we do not anticipate paying any cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, short-term investments and capitalization as of March 31, 2006:

- on an actual basis; and
- on a pro forma basis to give effect to:
  - *Pro Forma I:* our issuance in April 2006 of 52,795 shares of class A common stock in a private placement transaction, and our receipt of $4.5 million in net proceeds from that transaction; and
  - *Pro Forma II:* that private placement transaction, as well as the issuance of 211,765 shares of our class A common stock in exchange for all of the shares of Sucampo Europe and Sucampo Japan, and the related elimination of their equity, and the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 378,000 shares of class A common stock upon the closing of this offering; and
- on a pro forma as adjusted basis to give effect to the sale of shares of class A common stock in this offering at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and offering expenses payable by us.

You should read this table together with our combined financial statements and the related notes appearing elsewhere in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of March 31, 2006			
	Actual	Pro Forma I	Pro Forma II	Pro Forma As Adjusted
	(in thousands)			
Cash and cash equivalents	$ 44,352	$ 48,840	$ 48,840	$
Short-term investments	28,537	28,537	28,537	
Notes payable — related parties, net of current portion	$ 3,752	$ 3,752	$ 3,752	$
Stockholders' equity:				
Series A convertible preferred stock, $0.01 par value; 3,780 shares issued and outstanding actual and pro forma I; no shares issued and outstanding pro forma II and pro forma as adjusted	20,288	20,288	—	
Class A common stock, $0.01 par value; 769,662 shares issued and outstanding actual; 822,457 shares issued and outstanding pro forma I; 1,412,222 shares issued and outstanding pro forma II; and shares issued and outstanding pro forma as adjusted	8	8	14	

	As of March 31, 2006			
	Actual	Pro Forma I	Pro Forma II	Pro Forma As Adjusted
	(in thousands)			
Class B common stock, $0.01 par value; 3,081,000 shares outstanding actual, pro forma I, pro forma II and pro forma as adjusted	31	31	31	
Common stock, Sucampo Japan, $420.65 par value; 1,000 shares issued and outstanding actual and pro forma I; no shares issued and outstanding pro forma II and pro forma as adjusted	421	421	—	
Common stock, Sucampo Europe, $1.53 par value; 5,000 shares issued and outstanding actual and pro forma I; no shares issued and outstanding pro forma II and pro forma as adjusted	8	8	—	
Additional paid-in capital	32,436	36,924	57,635	
Accumulated other comprehensive loss	(99)	(99)	(99)	
Accumulated deficit	(27,046)	(27,046)	(27,046)	
Total stockholders' equity	26,046	30,533	30,533	
Total capitalization	$ 29,798	$ 34,285	$ 34,285	$

A $1.00 increase or decrease in the assumed initial public offering price of $ per share of class A common stock would increase or decrease cash and cash equivalents and short-term investments by $ million, and increase or decrease additional paid-in capital, total stockholders' equity and total capitalization by a total of $ million, assuming that the number of shares of class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same. The information discussed in this paragraph is illustrative only and following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

The number of shares in the table above excludes:

- 171,000 shares of our class A common stock issuable upon the exercise of stock options at a weighted average exercise price of $21.05 per share; and
- an aggregate of 1,500,000 shares of class A common stock reserved for future issuance under our equity compensation plans as of the completion of this offering.

DILUTION

If you invest in our class A common stock, your interest will be diluted immediately to the extent of the difference between the public offering price per share of our class A common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering.

Our pro forma net tangible book value as of March 31, 2006 was approximately $29.6 million, or approximately $6.59 per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, after giving effect to our receipt of $4.5 million of net proceeds from our private placement sale of class A common stock in April 2006, divided by the number of shares of class A and class B common stock outstanding after giving effect to our issuance of 52,795 shares of class A common stock in our private placement financing in April 2006, the issuance of 211,765 shares of our class A common stock in exchange for all of the shares of Sucampo Europe and Sucampo Japan and the related elimination of their equity and the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 378,000 shares of class A common stock upon the closing of this offering.

After giving effect to the issuance and sale of the shares of class A common stock in this offering, at an assumed initial public offering price of $ per share, less the estimated underwriting discounts and commissions and offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2006 would have been $, or $ per share of class A and class B common stock. This represents an immediate increase in net tangible book value per share of $ to existing stockholders and immediate dilution of $ per share to new investors. Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by a new investor. The following table illustrates the per share dilution without giving effect to the over-allotment option granted to the underwriters:

Assumed initial public offering price per share of class A common stock		$
Pro forma net tangible book value per share as of March 31, 2006	$	
Increase per share attributable to new investors		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors		$

A $1.00 increase or decrease in the assumed initial public offering price of $ per share of class A common stock would increase or decrease the pro forma as adjusted net tangible book value per share after this offering by $ per share and the dilution per share to new investors in this offering by $ per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

If the underwriters exercise their over-allotment option in full, our pro forma as adjusted net tangible book value will increase to $ per share, representing an immediate increase to existing stockholders of $ per share and an immediate dilution of $ per share to new investors. If any shares are issued in connection with outstanding options, you will experience further dilution.

The following table summarizes as of March 31, 2006, on the pro forma basis described above, the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by the existing stockholders and by new investors in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and other expenses of this offering.

	Total Class A and Class B Shares		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
Existing stockholders	4,493,522	%	$ 55,311,899	%	$ 12.31
New investors					
Total		100%	$	100%	

A $1.00 increase or decrease in the assumed initial public offering price of $ per share of class A common stock would increase or decrease the total consideration paid by new investors by $ million, and increase or decrease the percent of total consideration paid by new investors by percentage points, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

The table above is based on shares outstanding as of March 31, 2006 and excludes:

- 171,000 shares of our class A common stock issuable upon the exercise of stock options at a weighted average exercise price of $21.05 per share; and
- an aggregate of 1,500,000 shares of class A common stock reserved for future issuance under our equity compensation plans as of the completion of this offering.

If the underwriters' over-allotment option is exercised in full, the following will occur:

- the percentage of shares of common stock held by existing stockholders will decrease to , or approximately % of the total number of shares of our common stock outstanding after this offering; and
- the number of shares held by new investors will be increased to , or approximately %, of the total number of shares of our common stock outstanding after this offering.

SELECTED COMBINED FINANCIAL DATA

You should read the following selected combined financial data in conjunction with our combined financial statements and the related notes appearing at the end of this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus. Prior to the closing of this offering, we will acquire all of the capital stock of Sucampo Europe and Sucampo Japan. Accordingly, in this prospectus we have presented financial statements that reflect our financial position, results of operations and cash flows on a combined basis with these two operating companies. We have derived the following combined financial data as of December 31, 2004 and 2005 and for the three years ended December 31, 2005 from combined financial statements audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Combined balance sheets as of December 31, 2004 and 2005 and the related combined statements of operations, of changes in stockholders' (deficit) equity and of cash flows for each of the three years in the period ended December 31, 2005 and notes thereto appear elsewhere in this prospectus. We have derived the following combined financial data as of December 31, 2002 and 2003 and for the year ended December 31, 2002 from unaudited combined financial statements, which are not included in this prospectus. We have derived the following financial data as of December 31, 2001 and for the year then ended from audited financial statements, which are not included in this prospectus. We have derived the following combined financial data as of March 31, 2006 and for the three months ended March 31, 2006 and 2005 from unaudited combined financial statements, which appear elsewhere in this prospectus, which we have prepared on the same basis as the audited combined financials statements and which, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods. Interim financial results are not necessarily indicative of results to be expected for the full year or for any future reporting period.

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005	2005	2006
	(in thousands, except per share data)						
Statement of operations data:							
Revenues	$ 10,104	$ 8,097	$ 4,125	$ 2,665	$ 47,007	$ 14,636	$ 25,708
Operating expenses:							
Research and development	6,241	12,549	18,444	14,036	29,888	6,920	6,120
Selling, general and administrative	5,244	6,536	7,447	8,227	8,116	1,485	3,770
Milestone royalties — related parties	—	—	—	—	1,500	500	1,250
Total operating expenses	11,485	19,085	25,891	22,263	39,504	8,906	11,140
Operating (loss) income	(1,381)	(10,988)	(21,767)	(19,598)	7,503	5,731	14,568
Total non-operating income (expense), net	186	7,721	(250)	(56)	990	(73)	425
(Loss) income before taxes	(1,195)	(3,267)	(22,017)	(19,654)	8,493	5,658	14,993
Income tax benefit (provision)	776	(681)	—	—	(1,768)	(558)	(3,728)
Net (loss) income	$ (419)	$ (3,948)	$ (22,017)	$ (19,654)	$ 6,725	$ 5,100	$ 11,265
Basic pro forma net income per share					$ 1.60		$ 2.67
Diluted pro forma net income per share					$ 1.55		$ 2.59
Pro forma weighted average common shares outstanding — basic					4,213		4,214
Pro forma weighted average common shares outstanding — diluted					4,331		4,343

	As of December 31,					As of March 31,
	2001	2002	2003	2004	2005	2006
	(in thousands)					
Balance sheet data:						
Cash and cash equivalents	$ 13,760	$ 31,393	$ 19,070	$ 21,918	$ 17,436	$ 44,352
Short-term investments	—	—	—	3,000	28,435	28,537
Working capital	9,950	27,850	14,834	14,956	22,083	49,942
Total assets	16,299	32,455	20,072	26,826	47,933	75,247
Total liabilities	5,116	4,463	14,196	40,549	52,597	49,201
Accumulated equity (deficit)	582	(3,366)	(25,382)	(45,036)	(38,311)	(27,046)
Total stockholders' equity (deficit)	11,183	27,992	5,876	(13,723)	(4,664)	26,046

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our combined financial statements and the related notes and other financial information appearing at the end of this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Information for the three months ended March 31, 2005 and 2006 is derived from our unaudited financial statements.

Overview

We are an emerging pharmaceutical company focused on the discovery, development and commercialization of proprietary drugs based on prostones, a class of compounds derived from functional fatty acids that occur naturally in the human body. We are focused on developing prostones with novel mechanisms of action for the treatment of gastrointestinal, respiratory, vascular and central nervous system diseases and disorders for which there are unmet or underserved medical needs and significant commercial potential.

In January 2006, we received marketing approval from the FDA for our first product, AMITIZA, for the treatment of chronic idiopathic constipation in adults. AMITIZA is the only prescription product for the treatment of chronic idiopathic constipation that has been approved by the FDA for use by adults of all ages, including those over 65 years of age, and that has demonstrated effectiveness for use beyond 12 weeks.

We are party to a collaboration and license agreement with Takeda to jointly develop and commercialize AMITIZA for chronic idiopathic constipation, irritable bowel syndrome with constipation, opioid-induced bowel dysfunction and other gastrointestinal indications in the United States and Canada. We have the right to co-promote AMITIZA along with Takeda in these markets. We and Takeda initiated commercial sales of AMITIZA in the United States for the treatment of chronic idiopathic constipation in adults in April 2006. Takeda is marketing AMITIZA broadly to office-based specialty physicians and primary care physicians. We are complementing Takeda's marketing efforts by promoting AMITIZA through a specialty sales force in the institutional marketplace.

Because we have only recently initiated commercial sales of AMITIZA for the treatment of chronic idiopathic constipation in adults, we had not generated any product revenues as of March 31, 2006. Since inception we have incurred operating losses and, as of March 31, 2006, we had an accumulated combined deficit of $27.0 million. Our combined net losses were $22.0 million in 2003 and $19.7 million in 2004. We recognized combined net income of $6.7 million in 2005 and $11.3 million in the quarter ended March 31, 2006. The historical combined losses resulted principally from costs incurred in our research and development programs and from our general and administrative expenses. We expect to continue to incur significant and increasing expenses for the next several years as we continue to expand our research and development activities, seek regulatory approvals for additional indications for AMITIZA and augment our sales and marketing capabilities. Whether we are able to sustain profitability will depend upon our ability to generate revenues in the future that exceed these expenses. In the near term, our ability to generate product revenues will depend primarily on the successful commercialization and continued development of additional indications for AMITIZA.

We hold an exclusive worldwide royalty-bearing license from Sucampo AG to develop and commercialize AMITIZA and all other prostone compounds covered by patents and patent applications held by Sucampo AG. We are obligated to assign to Sucampo AG all patentable improvements that we make in the field of prostones, which Sucampo AG will in turn license back to us on an exclusive basis. If we have not committed specified development efforts to any prostone compound other than AMITIZA, SPI-8811 and SPI-017 by the end of a specified period, which ends on the later of September 30, 2011 or three months after the date upon which Drs. Kuno and Ueno no longer control our company, then the commercial rights to that compound will revert

to Sucampo AG, subject to a one-year extension in the case of any compound that we designate in good faith as planned for development within that year.

Prior to the closing of this offering, we will acquire all of the capital stock of two affiliated European and Asian operating companies, Sucampo Europe and Sucampo Japan, that are under common control with us. At that same time, Sucampo Europe and Sucampo Japan will become wholly owned subsidiaries of our company. Accordingly, in this prospectus we have presented financial statements that reflect our financial position, results of operations and cash flows on a combined basis with these two operating companies, and this management's discussion and analysis of financial condition and results of operations discusses such combined financial statements.

Our Clinical Development Programs

We are developing AMITIZA and our other prostone compounds for the treatment of a broad range of diseases. The most advanced of these programs are:

- **AMITIZA.** In connection with our marketing approval for AMITIZA for the treatment of chronic idiopathic constipation in adults, we committed to the FDA to conduct post-marketing studies to evaluate the safety of the product in pediatric patients and in patients with renal and hepatic impairment. We plan to initiate these studies by January 2007. In addition, we are developing AMITIZA to treat irritable bowel syndrome with constipation and opioid-induced bowel dysfunction. We are currently conducting two pivotal Phase III clinical trials of AMITIZA for the treatment of irritable bowel syndrome with constipation, and we also are conducting a follow-on safety study to assess the long-term use of AMITIZA as a treatment for this indication. We expect results of these two Phase III pivotal trials and the follow-on safety study in the first quarter of 2007. If the results of these trials are favorable, we plan to seek marketing approval for AMITIZA in the United States as well as Europe and Japan for the treatment of this disorder. We plan to initiate Phase II/III pivotal clinical trials of AMITIZA for treatment of opioid-induced bowel dysfunction by early 2007. Our collaboration and co-promotion arrangement with Takeda also covers these additional indications for AMITIZA.
- **SPI-8811.** We are developing orally administered SPI-8811 to treat various gastrointestinal and liver disorders, including NSAID-induced ulcers, portal hypertension, non-alcoholic fatty liver disease and gastrointestinal disorders associated with cystic fibrosis. We also are planning to develop an inhaled formulation of SPI-8811 for the treatment of respiratory symptoms of cystic fibrosis and chronic obstructive pulmonary disease. Our near term focus is on the development of SPI-8811 as a treatment for NSAID-induced ulcers. We have completed Phase I clinical trials of SPI-8811 in healthy volunteers and plan to initiate a Phase II clinical trial of this product candidate for the treatment of NSAID-induced ulcers in early 2007. We also plan to initiate a Phase I/II proof-of-concept study of SPI-8811 in patients with portal hypertension in 2007.
- **SPI-017.** We are developing SPI-017 to treat vascular disease and central nervous system disorders. We are initially focused on developing an intravenous formulation of this product candidate for the treatment of peripheral arterial disease. We also are developing an oral formulation of SPI-017 for the treatment of Alzheimer's disease. We plan to initiate Phase I clinical trials of the intravenous formulation of SPI-017 in early 2007 and the oral formulation in mid to late 2007.

Financial Terms of our Collaboration with Takeda

We entered into our collaboration agreement with Takeda in October 2004 following completion of our Phase III clinical trials for chronic idiopathic constipation. Under the terms of the agreement, we have received a variety of payments and will have the opportunity to receive additional payments in the future.

Up-front Payment

Upon signing the agreement with Takeda, we received a nonrefundable up-front payment of $20.0 million, which we deferred and which is being recognized as contract revenue ratably over the 16-year life of the agreement.

Product Development Milestone Payments

We have also received the following nonrefundable payments from Takeda reflecting our achievement of specific product development milestones:

- $10.0 million upon the filing of the new drug application, or NDA, for AMITIZA to treat chronic idiopathic constipation in March 2005;
- $20.0 million upon the initiation of our Phase III clinical trial related to AMITIZA for the treatment of irritable bowel syndrome with constipation in May 2005; and
- $20.0 million upon the receipt of approval from the FDA for AMITIZA for the treatment of chronic idiopathic constipation in adults in January 2006.

We recognized these payments as milestone revenue in full upon our achievement of the applicable milestone.

In addition, our collaboration agreement requires that Takeda pay us up to an additional aggregate of $90.0 million conditioned upon our achievement of future regulatory milestones relating to AMITIZA. We would recognize these payments as milestone revenue in full upon our achievement of the applicable milestone.

Research and Development Cost-Sharing for AMITIZA

Our collaboration agreement with Takeda provides for the sharing between Takeda and us of the costs of our research and development activities for AMITIZA in the United States and Canada as follows:

- Takeda was responsible for the first $30.0 million in research and development expenses we incurred after October 2004 related to AMITIZA for the treatment of chronic idiopathic constipation and irritable bowel syndrome with constipation. We received reimbursement payments from Takeda of $1.5 million in 2004 and $28.5 million in 2005. We have deferred recognition of these payments and are currently recognizing the revenue using the straight-line method over the life of the development cycle, which we have estimated will continue through December 2006, with the exception that we do not recognize revenue in any period to the extent that it resulted in cumulative recognized revenue exceeding cumulative reimbursable expenses incurred. As of March 31, 2006, we had recognized an aggregate of $19.6 million of the total $30.0 million we have received and had deferred revenues of $10.4 million.
- We are responsible for the next $20.0 million in research and development expenses we incur related to AMITIZA for the treatment of chronic idiopathic constipation and irritable bowel syndrome with constipation. Thereafter, any expenses in excess of $50.0 million are shared equally between Takeda and us. Because we have received reimbursements of $30.0 million from Takeda, we are now responsible for the next $20.0 million of these expenses. We do not expect aggregate expenses necessary to complete development of AMITIZA for these two indications will exceed the $20.0 million for which we are solely responsible.
- For research and development expenses relating to changing or expanding the labeling of AMITIZA to treat chronic idiopathic constipation and irritable bowel syndrome with constipation, Takeda is responsible for 70% of these expenses and we are responsible for 30%. We have not incurred any expenses of this nature to date. However, in connection with our marketing approval for AMITIZA for the treatment of chronic idiopathic constipation in adults, we committed to the FDA to conduct post-marketing studies to evaluate the safety of the product in patients with renal and hepatic impairment.

The expenses of these studies will be shared 70% by Takeda and 30% by us. We plan to initiate these studies by January 2007.

- The expense of Phase IV clinical trials of AMITIZA for the treatment of chronic idiopathic constipation in pediatric patients that we expect to initiate by January 2007 will be borne by Takeda in full.
- For expenses in connection with additional clinical trials required by regulatory authorities relating to AMITIZA to treat chronic idiopathic constipation or irritable bowel syndrome with constipation, Takeda and we are responsible to share these expenses equally. We have not incurred any expenses of this nature to date.
- Takeda is responsible for the first $50.0 million in expenses we incur related to the development of AMITIZA for each gastrointestinal indication other than chronic idiopathic constipation and irritable bowel syndrome with constipation, and any expenses in excess of $50.0 million are shared equally between Takeda and us. We plan to initiate clinical trials of AMITIZA for the treatment of opioid-induced bowel dysfunction by early 2007. Currently, we do not anticipate the aggregate expenses necessary to complete our development of AMITIZA for this indication will exceed the $50.0 million for which Takeda is responsible.
- Takeda is responsible for the first $20.0 million in expenses we incur related to the development of each new formulation of AMITIZA, and any expenses in excess of $20.0 million are shared equally between Takeda and us. We have not incurred any expenses of this nature to date, and we have no plans to develop new formulations of AMITIZA.

Co-Promotion Reimbursement

In connection with our exercise of our co-promotion rights under the collaboration agreement, Takeda agreed to reimburse us for a portion of our expenses related to our specialty sales force. We estimate that these reimbursements will cover approximately 80% of the costs for our current sales force of 38 contract sales representatives provided under our contract with Ventiv, an independent contract sales organization. Through March 31, 2006, we had not received any reimbursement for these expenses because our sales representatives did not commence their activities until April 2006.

Royalty Payments

Takeda is obligated to pay us a varying royalty based on a percentage of the net sales revenue from the sale of AMITIZA in the United States and Canada. The actual percentage will depend on the level of net sales revenue during each calendar year. All sales of AMITIZA in the United States and Canada, including those arranged by our specialty sales force, will be made through Takeda. Through March 31, 2006, we had not received any royalties from Takeda because commercial sales did not commence until April 2006.

Commercialization Milestone Payments

Our collaboration agreement also requires Takeda to pay us up to an additional aggregate of $50.0 million conditioned upon the achievement of specified targets for annual net sales revenue from AMITIZA in the United States and Canada.

Option Payment

In November 2004, we received $5.0 million from Takeda as an option payment to continue negotiations for the joint development and commercialization of AMITIZA for gastrointestinal indications in additional territories. In the event that these negotiations failed to produce a definitive agreement by specified dates, the terms of the option required us to repay $2.5 million of the original $5.0 million option payment to Takeda. As to the $2.0 million of the option payment relating to joint development and commercialization in Asia, we recorded $1.0 million as current deferred revenue and $1.0 million as other short-term liabilities in 2004. As to the $3.0 million of the option payment relating to Europe, the Middle East and Africa, we recorded $1.5 million as long term deferred revenue and $1.5 million as other long-term liabilities in 2004. The option

right for Asia expired during 2005, at which time we repaid $1.0 million to Takeda and recognized the remaining $1.0 million as contract revenue. The option right for Europe, the Middle East and Africa expired during the first quarter of 2006, at which time we repaid $1.5 million to Takeda and recognized the remaining $1.5 million as contract revenue.

Financial Terms of our License from Sucampo AG

Under our license agreement with our affiliate, Sucampo AG, we are required to pay Sucampo AG 5% of every development milestone payment we receive from a sublicensee, such as Takeda. We also are obligated to make the following milestone payments to Sucampo AG:

- $500,000 upon initiation of the first Phase II clinical trial for each compound in each of three territories covered by the license: North, Central and South America, including the Caribbean; Asia; and the rest of the world; and
- $1.0 million for the first NDA filing or comparable foreign regulatory filing for each compound in each of these three territories.

In addition, we are required to pay Sucampo AG, on a country-by-country basis, royalty payments of 6.5% of net sales for every product covered by existing patents and, if applicable, thereafter 4.25% of net sales for every product candidate covered by new or improvement patents assigned by us to Sucampo AG. With respect to sales of AMITIZA in North, Central and South America, including the Caribbean, the rates for these royalty payments are set at 3.2% and 2.1% of net sales, respectively. The royalties that we pay to Sucampo AG are based on total product net sales, whether by us or a sublicensee, and not on amounts actually received by us.

We paid Sucampo AG $1.0 million, reflecting 5% of the $20.0 million up-front payment that we received from Takeda with respect to AMITIZA in October 2004. This payment was characterized as deferred licensing fees and is being expensed as selling, general and administrative expenses ratably over the life of the contract with Takeda through 2020.

We also have paid Sucampo AG $2.5 million, reflecting 5% of the aggregate of $50.0 million of development milestone payments that we received from Takeda through March 31, 2006, and $250,000 upon marketing approval of AMITIZA by the FDA for the treatment of chronic idiopathic constipation in adults. These payments were characterized as milestone royalties to related parties and were expensed as incurred.

Supply Agreement with R-Tech

We entered into an exclusive supply arrangement with our affiliate, R-Tech, in March 2003. In return for the exclusive right to manufacture and supply clinical and commercial supplies of AMITIZA and a second prostone compound that we are no longer developing in North, Central and South America, including the Caribbean, R-Tech agreed to make the following milestone payments to us:

- $1.0 million upon entry into the arrangement, which we received in March 2003;
- $2.0 million upon commencement of a first Phase II clinical trial relating to AMITIZA to treat irritable bowel syndrome with constipation, which we received in April 2003; and
- $3.0 million upon commencement of a first Phase II clinical trial for the other compound, which we received in 2003. On March 31, 2005, after evaluating the Phase II study results, we determined to discontinue any further research and development related to this compound and will not receive any further payments in respect of this compound.

We evaluated the $6.0 million in cash receipts from R-Tech and determined these payments were made for the exclusive right to supply inventory to us and, accordingly, should be deferred until commercialization of the drugs begins. We also were unable to accurately apportion value between AMITIZA and the other compound based on the information available to us and determined that the full $6.0 million deferred amount should be amortized over the contractual life of the relationship, which we concluded was equivalent to the

commercialization period of AMITIZA and the other compound. Accordingly, the entire $6.0 million is reflected as deferred revenue at March 31, 2006, and we will begin recognizing this revenue during the quarter ending June 30, 2006 ratably over the remaining life of our supply agreement with R-Tech through 2026. This revenue will be characterized as contract revenue from related parties.

The supply agreement also requires payment of a specified transfer price in respect of supplies of AMITIZA. Takeda is obligated to make such payment, without reimbursement from us, in respect of commercial supplies of AMITIZA for the territory covered by our collaboration with Takeda.

In June 2005, Sucampo Europe entered into an exclusive supply agreement with R-Tech. In return for the exclusive right to manufacture and supply clinical and commercial supplies of AMITIZA in Europe, the Middle East and Africa, R-Tech agreed to pay us $2.0 million in anticipation of entering into this agreement, which we received in March 2005. We determined that this payment should be deferred until commercialization of AMITIZA begins within the specified territory and, accordingly, the entire $2.0 million is reflected as deferred revenue at March 31, 2006.

Discontinued Ophthalmic Collaborative Relationship

On February 1, 1999, we entered into a five-year collaboration agreement with an unrelated third party, which established a long-term alliance for the development and commercialization of drugs to treat ophthalmic diseases. Under this arrangement, we agreed to conduct preclinical tests, clinical tests and other research and development for designated compounds, all of which were unrelated to prostones. In turn, we received nonrefundable payments totalling $8.0 million. We recognized these payments ratably over the term of the project, which approximated the term of the agreement. We recognized $1.6 million in revenue under this agreement in 2003 and $67,000 in 2004, which we characterized as contract revenue. All revenues related to this agreement were recognized by the first quarter of 2004. We determined not to continue this relationship, and we allowed the collaboration agreement to expire in 2004.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based upon our combined financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our combined financial statements requires us to make estimates and judgments that affect our reported assets, liabilities, revenues and expenses. Actual results may differ significantly from those estimates under different assumptions and conditions.

We regard an accounting estimate or assumption underlying our financial statements as a critical accounting estimate if:

- the nature of the estimate or assumption is material due to the level of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
- the impact of the estimates and assumptions on financial condition or operating performance is material.

Our significant accounting policies are described in more detail in note 2 of our combined financial statements.

Revenue Recognition

We have historically generated revenue from two primary sources: (1) research and development arrangements providing for up-front payments and milestone payments and (2) research and development cost-sharing under our joint collaboration and license agreement with Takeda. In addition, we expect to begin receiving royalty payments from Takeda for the joint commercialization of AMITIZA in the second quarter of 2006. We recognize revenue from these sources in accordance with Staff Accounting Bulletin, or SAB, 104, "*Revenue Recognition*" and Emerging Issues Task Force, or EITF, Issue No. 00-21, "*Revenue Arrangements with Multiple Deliverables*".

We recognize up-front licensing fees, which are recorded as contract revenue, as revenue on the straight-line basis over the estimated performance period under the applicable agreement.

We follow the substantive milestone method for recognizing contingent payments. If a milestone payment is earned related to our performance, we evaluate whether substantive effort was involved in achieving the milestone. Factors we consider in determining whether a milestone is substantive and therefore can be accounted for separately from an up-front payment include assessing the level of risk and effort in achieving the milestone, the timing of its achievement relative to the up-front payment and whether the amount of the payment was reasonable in relation to our level of effort. If these criteria are met, we recognize the milestone payment when it is earned. If these criteria are not met, we would be required to defer revenue from the milestone payment and recognize it ratably over the contractual life of the agreement.

We recognize reimbursement of research and development costs under our agreement with Takeda as revenue using a proportional performance method in accordance with SAB 104. While we provide multiple services under this agreement, there is insufficient evidence of the fair values of each of the individual services. Therefore, we recognize revenue on a straight-line basis over the development activity period, which we have estimated will be completed at the end of 2006. We believe a straight-line basis is representative of the pattern in which performance takes place. The revenue recognized in any period is limited to the lesser of the cumulative straight-line basis amount through that period or the cumulative reimbursable portion of the research and development costs actually incurred through that period.

We account for cost-sharing revenue related to development activities under research and development and consulting arrangements with related parties under the proportional performance method. Under this method, cost-sharing payments received in advance of performance are recorded as deferred revenue and recognized as contract revenue to related parties over the applicable performance period. The application of this revenue recognition method is based on the proportional costs incurred against total expected costs relative to the respective cost-sharing arrangement.

Accrued Expenses

As part of our process of preparing our combined financial statements, we are required to estimate accrued expenses. This process involves reviewing and identifying services which have been performed by third parties on our behalf and determining the value of these services. Examples of these services are payments to clinical investigators, professional fees, such as accountants' and attorneys' fees, and payments to contracted service organizations. In addition, we make estimates of costs incurred to date but not yet invoiced to us in relation to external contract research organizations and clinical site costs. We analyze the progress of clinical trials, including levels of patient enrollment, invoices received and contracted costs, when evaluating the adequacy of the accrued liabilities. We must make significant judgments and estimates in determining the accrued balance in any accounting period.

In connection with these service fees, our estimates are most affected by our understanding of the status and timing of services provided relative to the actual levels of services incurred by the service providers. The majority of our service providers invoice us monthly in arrears for services performed. In the event we do not identify costs that have begun to be incurred or we under-estimate or over-estimate the level of services performed or the costs of such services, our reported expenses for the relevant period would be too low or too high. We must also sometimes make judgments about the date on which services commence, the level of services performed on or before a given date and the cost of such services. We make these judgments based upon the facts and circumstances known to us in accordance with generally accepted accounting principles.

Stock-Based Compensation

We have elected to follow Accounting Principles Board Opinion, or APB, No. 25, "*Accounting for Stock Issued to Employees*", and related interpretations in accounting for our stock-based compensation plans, rather than the alternative fair value accounting method provided for under Statement of Financial Accounting Standards, or SFAS, No. 123, "*Accounting for Stock-Based Compensation Accounting Principles Board Opinion*" through December 31, 2005. Accordingly, we have not recorded stock-based compensation expense

for stock options issued to employees in fixed amounts with exercise prices at least equal to the fair value of the underlying common stock on the date of grant, including those granted in 2004. We did not award stock options to employees during 2003, 2005 or the quarter ended March 31, 2006. In note 2 to our combined financial statements included later in this prospectus, we provide pro forma disclosures for the years presented in accordance with SFAS 123 and related pronouncements.

We account for transactions with non-employees in which services are received in exchange for equity instruments under EITF 96-18, "*Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring or in Conjunction with Selling Goods or Services*". Under this guidance, the transactions are based on the fair value of the services received from the non-employees or the fair value of the equity instruments issued, whichever is more reliably measured. The three factors which most affect stock-based compensation are the fair value of the common stock underlying stock options for which stock-based compensation is recorded, the vesting term of the options and the volatility of such fair value. Accounting for these equity instruments requires us to determine the fair value of the equity instrument granted or sold. If our estimates of the fair value of these equity instruments are too high or too low, it would have the effect of overstating or understating stock-based compensation expenses.

Given the lack of an active public market for our common stock, our board of directors determined the fair value of our common stock for stock option awards. Our board of directors determined this fair value by considering a retrospective valuation obtained from a valuation specialist during 2005. In establishing the estimates of fair value, the specialist considered the guidance set forth in the AICPA Practice Guide, "*Valuation of Privately-Held-Company Equity Securities Issued as Compensation*", or AICPA Practice Guide, and made retrospective determinations of fair value. The valuation was considered by our board of directors to determine the fair value of the common stock underlying stock options awarded to non-employees in 2005.

Determining the fair value of our common stock requires making complex and subjective judgments. Our approach to valuation is based on a discounted future cash flow approach that uses our estimates of revenue, driven by assumed market growth rates, and estimated costs as well as appropriate discount rates. These estimates are consistent with the plans and estimates that we use to manage our business. There is inherent uncertainty in making these estimates. Although it is reasonable to expect that the completion of this offering will add value to the shares because they will have increased liquidity and marketability, the amount of additional value cannot be measured with precision or certainty.

In December 2004, the Financial Accounting Standards Board, or FASB, issued SFAS No. 123R, "*Share-Based Payment*", or SFAS 123R, a revision of SFAS No. 123, "*Accounting for Stock-Based Compensation*". SFAS 123R requires companies to recognize expense associated with share-based compensation arrangements, including employee stock options, using a fair value-based option pricing model, and eliminates the alternative to use APB 25's intrinsic method of accounting for share-based payments. The standard generally allows two alternative transition methods in the year of adoption — prospective application and retroactive application with restatement of prior financial statements to include the same amounts that were previously included in the pro forma disclosures. On January 1, 2006, we adopted SFAS 123R using the prospective method of implementation. According to the prospective method, the previously issued financial statements will not be adjusted. The adoption of this pronouncement will not have any financial impact on our combined financial statements until new stock option awards are granted to employees because all outstanding stock options at January 1, 2006 were fully vested and no options were granted during the three months ended March 31, 2006.

We implemented SFAS 123R utilizing the prospective transition method. Under this method, we will recognize compensation expense for all share-based payment awards granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R.

For recording our stock-based compensation expense under SFAS 123R, we have chosen to use:

- the straight-line method of allocating compensation cost under SFAS 123R;
- the Black-Scholes model as our chosen option-pricing model;

- the simplified method to calculate the expected term for options as discussed under SAB No. 7, "*Share-Based Payment*"; and
- an estimate of expected volatility based on the historical volatility of similar entities whose share prices are publicly available.

The result of the adoption of SFAS 123R did not affect our combined financial statements for the periods presented because all outstanding stock options as of January 1, 2006 were fully vested and there were no new stock options awarded to employees or modifications to outstanding stock options during the three months ended March 31, 2006. Also, prior periods do not need to be restated for this adoption when the prospective method is chosen.

Income Taxes

As part of the process of preparing our combined financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. We follow SFAS No. 109, "*Accounting for Income Taxes*". This process requires us to estimate our actual current tax exposure while assessing our temporary differences resulting from the differing treatment of items for tax and accounting purposes. These differences have resulted in deferred tax assets and liabilities. As of December 31, 2005, we had foreign net operating loss carryforwards of $1.3 million. The foreign net operating loss carryforwards will begin to expire on December 31, 2010. As of December 31, 2005, we had general business tax credits of $3.3 million, which also may be available to offset future income tax liabilities and will expire if not utilized at various dates beginning December 31, 2022. We have recorded a full valuation allowance as an offset to our net deferred tax assets due to the uncertainty in determining the timing of the realization of the tax benefit. In the event that we determine that we will be able to realize all or a portion of these assets, we will make an adjustment to the valuation allowance. The Tax Reform Act of 1986 contains provisions that may limit our ability to use our credits available in any given year in which there has been a substantial change in ownership interest, as defined. The realization of the benefits of the tax credits is dependent on sufficient taxable income in future years. Lack of earnings, a change in the ownership of our company, or the application of the alternative minimum tax rules could adversely affect our ability to utilize these tax credits.

Related Party Transactions

As part of our operations, we enter into transactions with our affiliates. At the time of the transaction, we estimate the fair market value of the transaction based upon estimates of net present value or comparable third party information. For material transactions with our foreign subsidiaries and affiliates, we have had transfer pricing studies performed to ensure that the terms of transactions are similar to those that would have prevailed had the entities not been affiliated.

Combined Results of Operations

Comparison of three months ended March 31, 2005 and March 31, 2006

Revenues

The following table summarizes our combined revenues for the three months ended March 31, 2005 and 2006:

	Three Months Ended March 31,	
	2005	2006
	(in thousands)	
Milestone revenue	$ 10,000	$ 20,000
Reimbursement of research and development costs	4,287	3,869
Contract revenue	309	1,809
Contract revenue — related parties	40	30
Total	$ 14,636	$ 25,708

Total combined revenues were $25.7 million for the three months ended March 31, 2006 compared to $14.6 million for the three months ended March 31, 2005, an increase of $11.1 million. This increase was due primarily to an increase of $10.0 million in milestone revenue.

Milestone revenues in the three months ended March 31, 2005 reflected our receipt from Takeda of a $10.0 million milestone payment upon the filing of the NDA for AMITIZA to treat chronic idiopathic constipation in adults in March 2005. Milestone revenues in the three months ended March 31, 2006 reflected the $20.0 million milestone payment we received from Takeda in January 2006 for the NDA approval of AMITIZA. We recognized these payments in full as revenues upon their receipt.

Revenues from reimbursement of research and development costs represent payments we receive from Takeda in reimbursement of a portion of research and development expenses we incur for AMITIZA. In the three months ended March 31, 2005, we recognized $4.3 million of cost reimbursements from Takeda. During the three months ended March 31, 2006, we recognized $3.9 million of cost reimbursements, reflecting a portion of the cost reimbursement payments we had received from Takeda in 2005. Our recognition of this amount in the first quarter of 2006 reduced our deferred revenue balance relating to Takeda reimbursements to $10.4 million. Depending on the clinical trial results associated with irritable bowel syndrome with constipation, we may need to reevaluate the expected time line for the project to which these reimbursements relate, which could require us to extend the deferral of this revenue.

Contract revenue reflects a portion of the $20.0 million up-front payment we received from Takeda upon the execution of our collaboration and license agreement with them in October 2004. We are recognizing this up-front payment as revenue ratably over the 16-year life of the agreement. Contract revenue for the three months ended March 31, 2006 also includes $1.5 million in previously deferred revenue that we recognized upon the expiration of the option granted to Takeda for joint development and commercialization rights for AMITIZA in Europe, Africa and the Middle East. Contract revenue was $1.8 million for the three months ended March 31, 2006 compared to $309,000 for the three months ended March 31, 2005, an increase of $1.5 million. This increase was attributable to the $1.5 million we recognized upon the option expiration.

Contract revenue from related parties represents reimbursement of costs incurred by us on behalf of affiliated companies for research and development consulting, patent maintenance and certain administrative costs. These revenues are recognized in accordance with the terms of the contract or project to which they relate. Contract revenue from related parties was $30,000 for the three months ended March 31, 2006 compared to $40,000 for the three months ended March 31, 2005, an increase of $10,000.

Research and Development Expenses

Research and development expenses represent costs incurred in connection with the in-licensing of our compounds, clinical trials, activities associated with regulatory filings and manufacturing efforts. Currently, we outsource our clinical trials to independent contract research organizations in order minimize our overhead. We expense our research and development costs as incurred.

Total combined research and development expenses for the three months ended March 31, 2006 were $6.1 million compared to $6.9 million for the three months ended March 31, 2005, a decrease of $800,000. The higher costs in the first quarter of 2005 reflect the significant research and development expenses incurred by us during that period in connection with the filing of the NDA for AMITIZA to treat chronic idiopathic constipation in adults and the initiation of Phase III clinical trials of AMITIZA for the treatment of irritable bowel syndrome with constipation. In the first quarter of 2006, our only research and development expenses were those associated with the ongoing Phase III clinical trials of AMITIZA for the treatment of irritable bowel syndrome with constipation.

We consider the continued development of our product pipeline crucial to our success, and we anticipate that our research and development costs will continue to increase as we advance our research and development activities associated with our product candidates.

Following the closing of this offering, approximately three employees of Sucampo AG will become employees of Sucampo Japan, and we will assume the filing and maintenance costs relating to the patent portfolio licensed by us from Sucampo AG. In addition, following this offering, we will be obligated under our license agreement with Sucampo AG to incur at least $1.0 million annually to develop compounds other than AMITIZA, SPI-8811 and SPI-017. We estimate that these costs will increase our research and developments expenses by approximately $1.7 million per year.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of, or the period, if any, in which material net cash inflows may commence from, any of our product candidates. This is due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress and expense of our clinical trials and other research and development activities;
- the potential benefits of our product candidates over other therapies;
- our ability to market, commercialize and achieve market acceptance for any of our product candidates that we are developing or may develop in the future;
- future clinical trial results;
- the terms and timing of 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 other 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 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.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of expenses for salaries and related personnel expense, corporate activities and costs associated with sales and marketing activities.

The following summarizes our combined selling, general and administrative expenses for the three months ended March 31, 2005 and 2006:

	Three Months Ended March 31,	
	2005	2006
	(in thousands)	
Salaries, benefits and related costs	$ 1,057	$ 1,782
Legal and consulting expenses	140	926
Stock-based compensation	9	—
Other operating expenses	279	1,062
Total	$ 1,485	$ 3,770

Combined selling, general and administrative expenses were $3.8 million for the three months ended March 31, 2006 compared to $1.5 million for the three months ended March 31, 2005, an increase of $2.3 million. This increase was due primarily to expenses in the first quarter of 2006 associated with our sales and marketing function, which did not exist in the first quarter of 2005, increases in operational headcount, rent for additional leased office space and a one-time 5% bonus payment to our employees upon receipt of marketing approval for AMITIZA to treat chronic idiopathic constipation in adults.

Combined sales and marketing expenses were $650,000 for the three months ended March 31, 2006. We had no sales and marketing expenses for the three months ended March 31, 2005. We anticipate significant increases in our combined sales and marketing expenses for 2006 related to the following activities:

- the hiring during the first quarter of 2006 of a director of branding, a national sales director, four regional sales managers and one analyst;
- our contract with Ventiv to provide us with a 38 representative specialty sales force, which began service in the field in April 2006; and
- continuing and increased costs for market research and analysis, advertising expenses, marketing and promotional materials, product samples and other costs associated with our recent launch of AMITIZA.

Milestone Royalties to Related Parties

In the three months ended March 31, 2006, we paid Sucampo AG $1.0 million, reflecting the 5% we owed them in respect of the $20.0 million milestone payment we received from Takeda during that period, and a $250,000 milestone payment for regulatory approval of AMITIZA. In the three months ended March 31, 2005, we paid Sucampo AG $500,000, reflecting the 5% we owed them in respect of the $10.0 million milestone payment we received from Takeda during that period. These payments to Sucampo AG are characterized as milestone royalties to related parties. We expense these payments when the related milestone is achieved.

Non-Operating Income and Expense

The following table summarizes our combined non-operating income and expense for the three months ended March 31, 2005 and 2006:

	Three Months Ended March 31,	
	2005	2006
	(in thousands)	
Interest income	$ 80	$ 305
Interest expense	(84)	(20)
Other income (loss)	(68)	140
Total, net	$ (72)	$ 425

Combined interest income was $306,000 for the three months ended March 31, 2006 compared to $80,000 for the three months ended March 31, 2005, an increase of $226,000. The increase was primarily due to an increase in the funds available for investment as a result of our receipt of milestone payments from Takeda in March 2005, May 2005 and January 2006. Interest expense was $20,000 for the three months ended March 31, 2006 compared to $84,000 for the three months ended March 31, 2005, a decrease of $64,000. This decrease reflected our repayment in full in the first quarter of 2005 of three-year convertible bonds issued in 2004 by Sucampo Japan to S&R Technology Holdings, LLC.

Income Taxes

The income tax provision for the three months ended March 31, 2006 was $3.7 million compared to $558,000 for the three months ended March 31, 2005. The increase of $3.1 million resulted from an increase in income (loss) before income taxes of $9.3 million and an increase in the effective income tax rate. The increase in the effective income tax rate related to changes in the projected income tax expense computed on an annual basis as of March 31, 2005 compared to March 31, 2006. The significant changes in the computation of the effective income tax rate related to net operating losses and general business credits.

Comparison of years ended December 31, 2004 and December 31, 2005

Revenues

The following table summarizes our combined revenues for the years ended December 31, 2004 and 2005:

	Years Ended December 31,	
	2004	2005
	(in thousands)	
Milestone revenue	$ —	$ 30,000
Reimbursement of research and development costs	1,482	14,672
Contract revenue	275	2,237
Contract revenue — related parties	411	98
Other — gain on sale of patent to related party	497	—
Total	$ 2,665	$ 47,007

Total combined revenues were $47.0 million in 2005 compared to $2.7 million in 2004, an increase of $44.3 million. This increase was due primarily to our receipt of $30.0 million in milestone revenue in 2005 as well as an increase of $13.2 million in research and development reimbursement.

The milestone revenue in 2005 reflected our receipt from Takeda of a $10.0 million milestone payment upon the filing of the NDA for AMITIZA to treat chronic idiopathic constipation in adults in March 2005 and a $20.0 million milestone payment upon the initiation of our Phase III clinical trial related to AMITIZA for the treatment of irritable bowel syndrome with constipation in May 2005. We recognized these payments in full as revenues upon their receipt.

We received $1.5 million from Takeda as reimbursement of research and development costs in 2004, all of which we recognized in 2004. We received $28.5 million from Takeda in 2005, but only recognized $14.7 million, resulting in deferred revenue of $13.8 million as of December 31, 2005.

We recognized contract revenue of $208,000 in 2004 and $1.2 million in 2005 with respect to the up-front payment received from Takeda. The unrecognized deferred revenue related to this up-front payment was $18.6 million as of December 31, 2005. Contract revenue in 2004 also included the $67,000 we recognized with respect to the terminated ophthalmic collaboration agreement. Contract revenue in 2005 included $1.0 million in previously deferred revenue that we recognized during this period upon the expiration of the option granted to Takeda for joint development and commercialization rights for AMITIZA in Asia.

We received $411,000 in contract revenue from related parties in 2004, including $324,000 from Sucampo AG for consulting services and $87,000 from R-Tech for manufacturing and research and development consulting services. We received $98,000 of contract revenue from related parties in 2005, reflecting payments from R-Tech for manufacturing and research and development consulting services.

In 2004, we also recognized a one-time gain of $497,000 upon the sale to Sucampo AG of patents relating to RESCULA. As a result of declining royalty revenues associated with these patents, we determined that we would be unable to recover the original $954,865 purchase price paid for these patents and sold our rights in them to Sucampo AG.

Research and Development Expenses

Total combined research and development expenses were $29.9 million in 2005 compared to $14.0 million in 2004, an increase of $15.9 million. This increase was due primarily to costs associated with the commencement in May 2005 of two pivotal Phase III clinical trials of AMITIZA for the treatment of irritable bowl syndrome with constipation and a related follow-on safety trial.

In 2005, we incurred $2.2 million in research and development expenses for services performed by third party consultants, whom we compensated by granting stock options at the time services were rendered. We determined the value of these options to be $2.2 million, and we recognized the related expense in full in the period of the grant.

Selling, General and Administrative Expenses

The following summarizes our combined selling, general and administrative expenses for the years ended December 31, 2004 and 2005:

	Years Ended December 31,	
	2004	2005
	(in thousands)	
Salaries, benefits and related costs	$ 4,160	$ 3,784
Legal and consulting expenses	2,131	1,719
Stock-based compensation	68	138
Other operating expenses	1,868	2,475
Total	$ 8,227	$ 8,116

Combined selling, general and administrative expenses were $8.1 million in 2005 compared to $8.2 million in 2004, a decrease of $110,000. Stock-based compensation was $138,000 in 2005 compared to $68,000

in 2004, an increase of $70,000. This increase was due primarily to a modification in 2005 of the vesting of previously issued stock options and the resulting stock-based compensation expense in 2005.

Combined sales and marketing expenses were $200,000 for 2005 compared to zero for 2004. The expenses in 2005 were primarily attributable to the following:

- the hiring of two members of our senior marketing staff, consisting of a vice-president of marketing and sales, hired in September 2005, and a director of marketing, hired in June 2005; and
- expenses for market research and analysis conducted in anticipation of potential marketing approval by the FDA of AMITIZA for the treatment of chronic idiopathic constipation in adults.

Milestone Royalties to Related Parties

During 2005, we paid Sucampo AG $1.5 million reflecting the 5% we owed them in respect of the $30.0 million of milestone payments we received from Takeda during the year. We made no milestone royalty payments during 2004.

Non-Operating Income and Expense

The following table summarizes our combined non-operating income and expense for the years ended December 31, 2004 and 2005:

	Years Ended December 31,	
	2004	2005
	(in thousands)	
Interest income	$ 96	$ 1,046
Interest expense	(174)	(311)
Other income	22	255
Total, net	$ (56)	$ 990

Combined interest income was $1.0 million in 2005 compared to $96,000 in 2004, an increase of $950,000. The increase was primarily due to an increase in the funds available for investment as a result of our receipt of milestone payments from Takeda of $10.0 million in March 2005 and $20.0 million in May 2005. We invested these funds in short-term auction-rate securities. Interest expense was $311,000 in 2005 compared to $174,000 in 2004, an increase of $137,000. The increase in other income was due primarily to foreign currency transaction gains of $248,000 during 2005. This increase was attributable to increased borrowings under notes to related parties.

Income Taxes

The income tax provision was $1.8 million for the year December 31, 2005 compared to $0 for the year ended December 31, 2004. The increase of $1.8 million resulted from income we recognized during the year ended December 31, 2005 for tax purposes, against which we were not able to offset tax loss carryforwards. Our U.S. tax loss carryforwards were fully utilized as of December 31, 2005.

Comparison of years ended December 31, 2003 and December 31, 2004

Revenues

The following table summarizes our combined revenues for the years ended December 31, 2003 and 2004:

	Years Ended December 31,	
	2003	2004
	(in thousands)	
Reimbursement of research and development costs	$ —	$ 1,482
Contract revenue	1,636	275
Contract revenue — related parties	2,489	411
Other — gain on sale of patent to related party	—	497
Total	$ 4,125	$ 2,665

Total combined revenues were $2.7 million in 2004 compared to $4.1 million in 2003, a decrease of $1.4 million.

In 2004, we recognized $1.5 million in cost reimbursements from Takeda. We did not receive any cost reimbursements from Takeda in 2003.

Contract revenue in 2004 was $275,000 compared to $1.6 million in 2003, a decrease of $1.4 million. This decrease reflected a reduction in our recognition of the deferred revenue from the up-front payment relating to our discontinued ophthalmic collaboration agreement from $1.6 million in 2003 to $67,000 in 2004, offset in part by the recognition of $208,000 of contract revenue in 2004 relating to the up-front payment from Takeda.

Contract revenue from related parties was $411,000 in 2004 compared to $2.5 million in 2003, a decrease of $2.1 million. This decrease was attributable to the termination in August 2003 of a services agreement with R-Tech under which we provided marketing and regulatory support for RESCULA.

In 2004, we recognized a one-time gain of $497,000 upon the sale to Sucampo AG of patents relating to RESCULA. We received no similar revenue in 2003.

Research and Development Expenses

Combined research and development expenses were $14.0 million in 2004 compared to $18.4 million in 2003, a decrease of $4.4 million. This decrease was primarily due to the completion in September 2003 of the second of our two pivotal Phase III clinical trials to assess AMITIZA for the treatment of chronic idiopathic constipation in adults.

Selling, General and Administrative Expenses

The following table summarizes our combined selling, general and administrative expenses for the years ended December 31, 2003 and 2004:

	Years Ended December 31,	
	2003	2004
	(in thousands)	
Salaries, benefits and related costs	$ 4,383	$ 4,160
Legal and consulting expenses	1,060	2,131
Stock-based compensation	16	68
Other operating expenses	1,988	1,868
Total	$ 7,447	$ 8,227

Combined selling, general and administrative expenses in 2004 were $8.2 million compared to $7.4 million in 2003, an increase of $779,000. This increase was due primarily to legal and administrative costs in 2004 associated with the negotiation of our joint collaboration and license agreement with Takeda.

Non-Operating Income and Expenses

The following table summarizes our combined non-operating income and expenses for the years ended December 31, 2003 and 2004:

	Years Ended December 31,	
	2003	2004
	(in thousands)	
Interest income	$ 146	$ 96
Interest expense	(142)	(174)
Other income (loss)	(254)	22
Total, net	$ (250)	$ (56)

Combined interest income was $96,000 in 2004 compared to $146,000 in 2003, a decrease of $50,000. The decrease was due primarily to our lower cash balance throughout 2004 compared to 2003. Combined interest expense was $174,000 in 2004 compared to $142,000 in 2003, an increase of $32,000. This increase was due primarily to Sucampo Europe entering into a $1.0 million note agreement with Sucampo AG and incurring related interest expenses. Other losses in 2003 primarily consisted of foreign currency transaction losses of $270,000.

Reportable Geographic Segments

We have determined that we have three reportable geographic segments based on our method of internal reporting, which disaggregates business by geographic location. These segments are the United States, Europe and Japan. We evaluate the performance of these segments on the basis of income from operations. The following is a summary of financial information by reportable segment.

	United States	Europe	Japan	Intercompany Eliminations	Combined
			(in thousands)		
Three Months Ended March 31, 2006					
Total revenues	$ 24,178	$ 1,500	$ 30	$ —	$ 25,708
Income (loss) from operations	13,242	1,345	(20)	—	14,567
Income (loss) before income taxes	13,560	1,354	79	—	14,993
Identifiable assets (end of period)	71,713	893	2,666	(25)	75,247
Three Months Ended March 31, 2005					
Total revenues	$ 14,596	$ —	$ 40	$ —	$ 14,636
Income (loss) from operations	6,221	(423)	(68)	—	5,730
Income (loss) before income taxes	6,262	(597)	(7)	—	5,658
Year Ended December 31, 2005					
Total revenues	$ 45,909	$ —	$ 1,098	$ —	$ 47,007
Income (loss) from operations	8,136	(1,475)	843	—	7,504
Income (loss) before income taxes	8,919	(1,439)	1,011	—	8,493
Identifiable assets (end of period)	45,314	1,363	2,576	(1,320)	47,933
Year Ended December 31, 2004					
Total revenues	$ 2,996	$ —	$ 82	$ (413)	$ 2,665
Loss from operations	(15,742)	(2,424)	(1,432)	(1)	(19,599)
Loss before income taxes	(15,887)	(2,628)	(1,139)	—	(19,654)
Identifiable assets (end of period)	20,920	2,481	5,090	(1,665)	26,826
Year Ended December 31, 2003					
Total revenues	$ 2,649	$ —	$ 5,138	$ (3,662)	$ 4,125
(Loss) income from operations	(21,542)	(425)	200	—	(21,767)
(Loss) income before income taxes	(21,607)	(435)	25	—	(22,017)

Liquidity and Capital Resources

Sources of Liquidity

We require cash principally to meet our operating expenses. As of March 31, 2006, we had $4.6 million of debt to related parties and minimal commitments for capital expenditures. We have financed our operations since inception with a combination of private placements of equity securities, up-front and milestone payments received from Takeda, R-Tech and the third party with whom we entered into our discontinued ophthalmic collaboration, and research and development expense reimbursements from Takeda. From inception through March 31, 2006, we had raised net proceeds of $50.8 million from private equity financings. From inception through March 31, 2006, we had also received an aggregate of $110.5 million in up-front, milestone, option and expense reimbursement payments from third parties. We operated profitably in the quarter ended March 31, 2006 and the year ended December 31, 2005, principally as a result of the milestone payments that we received in these periods from Takeda. As of March 31, 2006, we had cash and cash equivalents and short-term investments of $72.9 million. In light of the recent AMITIZA product launch, we anticipate generating internal cash from AMITIZA sales beginning with the quarter ending June 30, 2006.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2003, 2004 and 2005 and the three months ended March 31, 2005 and 2006:

	Years Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006
			(in thousands)		
Cash (used in) provided by:					
Operating activities	$ (15,254)	$ 3,147	$ 23,816	$ 1,414	$ 6,527
Investing activities	(85)	(3,016)	(25,474)	2,983	(108)
Financing activities	3,131	2,745	(2,278)	—	20,501
Effect of exchange rates	(115)	(28)	(545)	(265)	(4)
Net (decrease) increase in cash and cash equivalents	$ (12,323)	$ 2,848	$ (4,482)	$ 4,132	$ 26,916

Three months ended March 31, 2006

Net cash provided by operating activities was $6.5 million for the three months ended March 31, 2006. This reflected net income of $11.3 million, an increase in our accounts payable and accrued expenses of $1.6 million primarily related to the research and development expenditures for our trials of AMITIZA for the treatment of irritable bowel syndrome with constipation. These amounts were offset in part by a decrease in our other liabilities and deferred revenue of $6.8 million, which related primarily to repaying Takeda the $1.5 million refundable portion of an option payment and our expenses of $5.3 million in connection with our trials of AMITIZA for the treatment of irritable bowel syndrome with constipation.

Net cash used in investing activities was $108,000 for the three months ended March 31, 2006. This reflected our purchase of auction rate securities.

Net cash provided by financing activities was $20.5 million for the three months ended March 31, 2006. This reflected $19.4 million in net proceeds raised in a private placement sale of 229,412 shares of class A common stock and $1.2 million in funds received from borrowings under related party debt instruments as well as $156,000 of expenses incurred for our planned initial public offering.

Year ended December 31, 2005

Net cash provided by operating activities was $23.8 million for the year ended December 31, 2005. This reflected net income of $6.7 million, an increase in our deferred revenue of $13.6 million for research and development obligations paid by Takeda and $2.3 million of non-cash in stock-based compensation charges.

Net cash used in investing activities was $25.5 million for the year ended December 31, 2005, reflecting our net purchase of $25.4 million in auction rate securities.

Net cash used in financing activities was $2.3 million for the year ended December 31, 2005, reflecting our repayment of related party debt.

Year ended December 31, 2004

Net cash provided by operating activities was $3.1 million for the year ended December 31, 2004. This reflected a net loss of $19.7 million and an increase in our deferred revenue of $21.5 million arising primarily from up-front payments and research and development obligations paid by Takeda.

Net cash used in financing activities was $3.0 million for the year ended December 31, 2004, reflecting our purchase of auction rate securities.

Net cash provided by financing activities was $2.7 million for the year ended December 31, 2004, reflecting funds received from borrowings under related party debt instruments.

Year ended December 31, 2003

Net cash used in operating activities was $15.3 million for the year ended December 31, 2003. This reflected a net loss of $22.0 million due to increases in our research and development expenditures associated with Phase III trials of AMITIZA for the treatment of chronic idiopathic constipation in adults and Phase II trials of AMITIZA for the treatment of irritable bowel syndrome with constipation. We also had an increase in our accounts payable and accrued expenses of $1.8 million and deferred revenue of $4.6 million, resulting from payments received in respect of our exclusive supply agreement with R-Tech.

Net cash used in investing activities was $85,000 for the year ended December 31, 2003, reflecting our purchase of property and equipment.

Net cash provided by financing activities was $3.1 million for the year ended December 31, 2003, reflecting funds we received from borrowings under related party debt instruments.

Commitments and Contingencies

Our principal outstanding contractual obligations relate to our office leases in Bethesda, Maryland, England and Japan and notes payable to related parties. The following table summarizes our significant contractual obligations at December 31:

	2006	2007	2008	2009	2010	Total
			(in thousands)			
Contractual obligations:						
Operating leases	$ 455	$ 448	$ 407	$ 373	$ 61	$ 1,744
Notes payable — related parties	850	3,752	—	—	—	4,602
Total	$ 1,305	$ 4,200	$ 407	$ 373	$ 61	$ 6,346

The above table does not include:

- Contingent milestone and royalty obligations, including our obligations under our license agreement with Sucampo AG described above.
- Our share of research and development costs for AMITIZA. As of March 31, 2006, we had not incurred any portion of these costs. We expect to incur approximately $20.0 million of costs in connection with the development of AMITIZA for irritable bowel syndrome with constipation and expect to incur additional costs in connection with the development of AMITIZA for other indications, such as opioid-induced bowel dysfunction.
- Expenses under agreements with contract research organizations for clinical trials of our product candidates. The timing and amount of these disbursements are based on a variety of factors, such as the achievement of specified milestones, patient enrollment, services rendered or the incurrence of expenses by the contract research organization. As a result, we must reasonably estimate the potential timing and amount of these payments. We estimate that our current commitments to contract research organizations to be approximately $3.1 million for 2006 and $730,000 for 2007.

We plan to initiate Phase IV clinical trials of AMITIZA for the treatment of chronic idiopathic constipation in pediatric patients by January 2007. The expense of these trials will be paid by Takeda in full.

In addition, the FDA has required us to perform two post-marketing studies to evaluate the safety of AMITIZA in patients with renal and hepatic impairment. Under our collaboration agreement with Takeda, the costs for these studies will be shared 70% by Takeda and 30% by us. We do not anticipate our portion of these expenses to exceed $5.0 million.

Funding Requirements

We believe that the net proceeds from this offering, together with our existing cash and cash equivalents and internally generated funds from AMITIZA product sales, will be sufficient to enable us to fund our operating expenses for the foreseeable future. We have based this estimate on assumptions that may prove to be wrong. There are numerous risks and uncertainties associated with AMITIZA product sales and with the development and commercialization of our product candidates. Our future capital requirements will depend on many factors, including:

- the level of AMITIZA product sales;
- the scope, progress, results and costs of preclinical development and laboratory testing and clinical trials for our product candidates;
- the costs, timing and outcome of regulatory review of our product candidates;
- the number and development requirements of other product candidates that we pursue;
- the costs of commercialization activities, including product marketing, sales and distribution;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims;
- the extent to which we acquire or invest in businesses, products and technologies; and
- our ability to establish and maintain collaborations, such as our collaboration with Takeda.

In particular, we could require external sources of funds for acquisitions that we determine to make in the future.

To the extent that our capital resources are insufficient to meet our future capital requirements, we will need to finance our future cash needs through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. Except for development funding by Takeda, we do not currently have any commitments for future external funding.

Additional equity or debt financing, grants or corporate collaboration and licensing arrangements may not be available on acceptable terms, if at all. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate our research and development programs, reduce our planned commercialization efforts or obtain funds through arrangements with collaborators or others that may require us to relinquish rights to certain product candidates that we might otherwise seek to develop or commercialize independently. In addition, any future equity funding may dilute the ownership of our equity investors.

Related Party Transactions

Under our license agreement with our affiliate Sucampo AG, we are required to make specified milestone and royalty payments. We estimated the fair value of this arrangement based upon like-kind third party evidential matter for the transaction. When we entered into this agreement, we performed an economic analysis of the transaction to ensure that we were receiving a return on our investment equivalent to that of other pharmaceutical companies. In addition, we performed a transfer pricing study and economic analysis to ensure that the agreement did not conflict with taxing guidelines.

Under our exclusive supply agreement with R-Tech, R-Tech made milestone payments to us totaling $6.0 million. We recorded the full $6.0 million representing these payments in deferred revenue as of March 31, 2006. When we entered into this agreement, we evaluated the net present value of the supply agreement, based upon anticipated cash flows from the successful development and commercialization of the compounds it covers, to determine the current value of the transaction. Additionally, we performed a transfer pricing study and economic analysis to ensure the agreement did not conflict with taxing guidelines.

For information regarding additional related party transactions, see notes 7 and 8 to our combined financial statements appearing at the end of this prospectus.

Changes in the application of domestic or foreign taxing regulations and interpretation of related party transactions with foreign entities could affect the extent to which taxing authorities agree that these transactions are on an arm's length basis.

Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is currently confined to our cash and cash equivalents and investments in auction-rate securities. We currently do not hedge interest rate exposure. We have not used derivative financial instruments for speculative or trading purposes. Because of the short-term maturities of our cash and cash equivalents, we do not believe that an increase in market rates would have any significant impact on the realized value of our investments.

Effects of Inflation

Our most liquid assets are cash, cash equivalents and short-term investments. Because of their liquidity, these assets are not directly affected by inflation. We also believe that we have intangible assets in the value of our intellectual property. In accordance with generally accepted accounting principles, we have not capitalized the value of this intellectual property on our balance sheets. Due to the nature of this intellectual property, we believe that these intangible assets are not affected by inflation. Because we intend to retain and continue to use our equipment, furniture and fixtures and leasehold improvements, we believe that the incremental inflation related to replacement costs of such items will not materially affect our operations. However, the rate of inflation affects our expenses, such as those for employee compensation and contract services, which could increase our level of expenses and the rate at which we use our resources.

Effects of Foreign Currency

We currently incur a portion of our operating expenses in the United Kingdom and Japan. The reporting currency for our consolidated financial statements is U.S. Dollars. As such, our results of operations could be adversely effected by changes in exchange rates either due to transaction losses, which are recognized in the statement of operations, or translation losses, which are recognized in comprehensive income. We currently do not hedge foreign exchange rate exposure.

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), which requires companies to expense the estimated fair value of employee stock options and similar awards. SFAS No. 123(R) replaces SFAS No. 123 and supersedes APB Opinion No. 25. In March 2005, the SEC issued SAB Bulletin No. 107, which generally provides the SEC staff's views regarding SFAS No. 123(R). SAB 107 provides guidance on how to determine the expected volatility and expected term inputs into a valuation model used to determine the fair value of share-based payments. SAB 107 also provides guidance related to numerous aspects of the adoption of SFAS No. 123(R) such as income taxes, capitalization of compensation costs, modification of share-based payments prior to adoption and the classification of expenses. We will apply the principles of SAB 107 in conjunction with our adoption of SFAS No. 123(R).

As of January 1, 2006, we adopted the provisions of SFAS No. 123(R) using a modified prospective method. There was no impact to our combined financial statements as a result of this adoption. Under the modified prospective method, SFAS No. 123(R), which provides changes to the methodology for valuing share-based compensation among other changes, will apply to new awards and to awards outstanding on the effective date that are subsequently modified or cancelled. Compensation expense for outstanding awards for which the requisite service has not been rendered as of the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes under SFAS No. 123.

In May 2005, the FASB issued SFAS No. 154, "*Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FASB Statement No. 3*", or SFAS 154. This statement replaces APB Opinion No. 20, "*Accounting Changes*", and FASB Statement No. 3, "*Reporting Accounting Changes in Interim Financial Statements*", and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 applies to all voluntary changes in accounting principle and requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement also requires that a change in depreciation, amortization or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 as of January 1, 2006 did not have a material effect on our combined financial statements.

In November 2005, the FASB Staff issued FASB Staff Position, or FSP, FAS 115-1, *"The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"*, or FSP FAS 115-1. FSP FAS 115-1 addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. This FSP also includes accounting considerations subsequent to the recognition of other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in this FSP amends FASB Statements No. 115, *"Accounting for Certain Investments in Debt and Equity Securities"*, and No. 124, *"Accounting for Certain Investments Held by Not-for-Profit Organizations"*, and APB Opinion No. 18, *"The Equity Method of Accounting for Investments in Common Stock"*. The guidance in this FSP must be applied to reporting periods beginning after December 15, 2005. The adoption of FSP FAS 115-1 as of January 1, 2006 did not have a material effect on our combined financial statements.

Internal Control Over Financial Reporting

In connection with the anticipated acquisition of Sucampo Europe and Sucampo Japan and our preparation of audited financial information for those two entities for the year ended December 31, 2005, we identified control deficiencies relative to those entities that constitute material weaknesses in the design and operation of our internal control over financial reporting.

In general, a material weakness is defined as a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. The material weaknesses we identified are as follows:

- We did not maintain effective controls over the completeness and accuracy of revenue recognition. Specifically, effective controls were not designed and in place to adequately review contracts for the accuracy and proper cut-off of revenue recognition at Sucampo Europe and Sucampo Japan. This control deficiency resulted in adjustments to the revenue and deferred revenue accounts. Additionally, this control deficiency could result in a misstatement of the revenue and deferred revenue accounts that would result in a material misstatement to our interim or annual financial statements that would not be prevented or detected.
- We did not maintain effective controls over the completeness and accuracy of the accounting for debt instruments. Specifically, effective controls were not designed and in place to adequately review debt agreements of Sucampo Europe and Sucampo Japan for the proper accounting implications, or to ensure appropriate communication within our company regarding the existence of all debt agreements. This control deficiency resulted in adjustments to accounts payable, other liabilities and notes payable accounts. Additionally, this control deficiency could result in a misstatement of accounts payable, other liabilities and notes payable accounts that would result in a material misstatement to our interim or annual financial statements that would not be prevented or detected.
- We did not maintain effective controls over the preparation, review and presentation of the financial information prepared in accordance with U.S. generally accepted accounting principles reflecting Sucampo Europe and Sucampo Japan operations. Specifically, effective controls were not designed and

in place to adequately review, analyze and monitor these affiliates' financial information, nor did we have a standard reporting format for these affiliates, accounting procedures and policies manuals, formally documented controls and procedures or a formal process to review and analyze financial information of these affiliates. This control deficiency resulted in adjustments to revenue, deferred revenue, accounts payable, other liabilities and notes payable accounts, as well as the statement of cash flows. Additionally, this control deficiency could result in a misstatement in a number of our financial statement accounts, including the statement of cash flows, resulting in a material misstatement to our interim or annual financial statements that would not be prevented or detected.

Sucampo Europe and Sucampo Japan collectively accounted for 2.3% of our total combined revenues in the year ended December 31, 2005 and 6.0% for the three months ended March 31, 2006.

If we are unable to remediate these material weaknesses, we may not be able to accurately and timely report our financial position, results of operations or cash flows as a public company. Becoming subject to the public reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, upon the completion of this offering will intensify the need for us to report our financial position, results of operations and cash flows on an accurate and timely basis.

To remediate these material weaknesses, we intend to:

- following completion of the acquisition, transfer control of the books and records of Sucampo Europe and Sucampo Japan to our headquarters;
- following completion of the acquisition, transfer the authority to enter into contracts and to incur indebtedness from Sucampo Europe and Sucampo Japan to our headquarters;
- establish and implement formal processes for communicating financial and operating information from Sucampo Europe and Sucampo Japan to our headquarters;
- establish and implement formal processes for analyzing accounting for contracts and debt agreements;
- establish corporate level procedures for review of the accuracy and proper cut-off of revenue recognition at Sucampo Europe and Sucampo Japan; and
- establish and implement standard reporting processes for these entities, an accounting procedures and policies manual for each entity, formally documented controls and procedures for each entity, and a formal process to review and analyze financial information we receive from each entity.

Our remediation efforts are underway and we expect to complete them by December 31, 2006. We cannot assure you, however, that we will not encounter unexpected difficulties or delays in completing this process. If we are not able to remediate these weaknesses, this could impair our ability accurately and timely to report our financial position, results of operations or cash flows.

BUSINESS

Overview

We are an emerging pharmaceutical company focused on the discovery, development and commercialization of proprietary drugs based on prostones, a class of compounds derived from functional fatty acids that occur naturally in the human body. The therapeutic potential of prostones was first identified by one of our founders, Dr. Ryuji Ueno. We believe that most prostones function as activators of cellular ion channels and, as a result, may be effective at promoting fluid secretion and enhancing cell protection, which may give them wide-ranging therapeutic potential, particularly for age-related diseases. We are focused on developing prostones with novel mechanisms of action for the treatment of gastrointestinal, respiratory, vascular and central nervous system diseases and disorders for which there are unmet or underserved medical needs and significant commercial potential.

In January 2006, we received marketing approval from the U.S. Food and Drug Administration, or FDA, for our first product, AMITIZA™ (lubiprostone), for the treatment of chronic idiopathic constipation in adults of all ages. AMITIZA is the only prescription product for the treatment of chronic idiopathic constipation that has been approved by the FDA for use by adults of all ages, including those over 65 years of age, and that has demonstrated effectiveness for use beyond 12 weeks. Constipation becomes chronic when a patient suffers specified symptoms for more than 12 non-consecutive weeks within a 12-month period and is idiopathic if it is not caused by other diseases or by use of medications. Studies published in *The American Journal of Gastroenterology* estimate that approximately 42 million people in the United States suffer from constipation. Based on these studies, we estimate that approximately 12 million people can be characterized as suffering from chronic idiopathic constipation. In an additional study published in *The American Journal of Gastroenterology*, 91% of physicians expressed a desire for better treatment options for constipation.

AMITIZA increases fluid secretion into the intestinal tract by activating specific chloride channels in cells lining the small intestine. This increased fluid level softens the stool, facilitating intestinal motility and bowel movements. In addition, AMITIZA improves symptoms associated with chronic idiopathic constipation, including straining, hard stools, bloating and abdominal pain or discomfort.

We are party to a collaboration and license agreement with Takeda Pharmaceutical Company Limited, or Takeda, to jointly develop and commercialize AMITIZA for chronic idiopathic constipation, irritable bowel syndrome with constipation, opioid-induced bowel dysfunction and other gastrointestinal indications in the United States and Canada. We have the right to co-promote AMITIZA along with Takeda in these markets. We and Takeda initiated commercial sales of AMITIZA in the United States for the treatment of chronic idiopathic constipation in April 2006. Takeda is marketing AMITIZA broadly to office-based specialty physicians and primary care physicians. We are complementing Takeda's marketing efforts by promoting AMITIZA through a specialty sales force in the institutional marketplace, including specialist physicians based in academic medical centers and long-term care facilities. This institutional market is characterized by a concentration of elderly patients, who we believe will be a key market for AMITIZA to treat gastrointestinal indications, and by physicians who are key opinion leaders in the gastrointestinal field.

We also plan to pursue marketing approval for AMITIZA for additional constipation-related gastrointestinal indications with large, underserved markets. We are currently conducting two pivotal Phase III clinical trials and a long-term safety trial of AMITIZA for the treatment of irritable bowel syndrome with constipation, for which we expect results in the first quarter of 2007. In addition, we plan to begin Phase II/III pivotal clinical trials of AMITIZA for the treatment of opioid-induced bowel dysfunction by early 2007. According to the American College of Gastroenterology, irritable bowel syndrome affects approximately 58 million people in the United States, with irritable bowel syndrome with constipation accounting for approximately one-third of these cases. We also plan to pursue marketing approval for AMITIZA in Europe and the Asia-Pacific region for appropriate gastrointestinal indications based on local market disease definitions and the reimbursement environment.

In addition, we are developing other prostone compounds for the treatment of a broad range of diseases. The most advanced of these programs are:

- SPI-8811 for the treatment of ulcers induced by non-steroidal anti-inflammatory drugs, or NSAIDs, portal hypertension, non-alcoholic fatty liver disease, cystic fibrosis and chronic obstructive pulmonary disease. We have completed Phase I clinical trials of SPI-8811 in healthy volunteers and plan to initiate a Phase II clinical trial of this product candidate for the treatment of NSAID-induced ulcers in early 2007. We also plan to initiate a Phase I/II proof-of-concept study of SPI-8811 in patients with portal hypertension in 2007.
- SPI-017 for the treatment of peripheral arterial and vascular disease and central nervous system disorders. Initially, we are working on the development of an intravenous formulation of SPI-017 for the treatment of peripheral arterial disease. We also are developing an oral formulation of SPI-017 for the treatment of Alzheimer's disease. We plan to initiate Phase I clinical trials of the intravenous formulation of SPI-017 in early 2007 and the oral formulation in mid to late 2007.

We hold an exclusive worldwide royalty-bearing license from Sucampo AG, a Swiss patent-holding company, to develop and commercialize AMITIZA and all other prostone compounds covered by patents and patent applications held by Sucampo AG. We are obligated to assign to Sucampo AG all patentable improvements that we make in the field of prostones, which Sucampo AG will in turn license back to us on an exclusive basis. If we have not committed specified development efforts to any prostone compound other than AMITIZA, SPI-8811 and SPI-017 by the end of a specified period, which ends on the later of September 30, 2011 or three months after the date upon which Drs. Kuno and Ueno no longer control our company, then the commercial rights to that compound will revert to Sucampo AG, subject to a one-year extension in the case of any compound that we designate in good faith as planned for development within that year. We refer to the end of this period as the Sucampo AG reversion date.

We are party to exclusive supply arrangements with R-Tech Ueno, Ltd., or R-Tech, a Japanese pharmaceutical manufacturer, to provide us with clinical and commercial supplies of AMITIZA and clinical supplies of our product candidates SPI-8811 and SPI-017. These arrangements include provisions requiring R-Tech to assist us in connection with applications for marketing approval for these compounds in the United States and elsewhere, including assistance with regulatory compliance for chemistry, manufacturing and controls. Drs. Ueno and Kuno together, directly or indirectly, own all of the stock of Sucampo AG and a majority of the stock of R-Tech. Drs. Kuno and Ueno are considering plans to reduce their equity ownership in R-Tech.

Product Pipeline

The table below summarizes the development status of AMITIZA and our key product candidates. Other than AMITIZA, which is covered by our collaboration and license agreement with Takeda, we currently hold all of the commercialization rights to the prostone compounds in our product pipeline.

Product/ Product Candidate	Target Indication	Development Phase	Next Milestone
AMITIZA	Chronic idiopathic constipation (adult)	Marketed	—
	Chronic idiopathic constipation (pediatric)	Planning Phase IV pediatric trial	Phase IV pediatric trial planned to commence by January 2007
	Irritable bowel syndrome with constipation	Phase III	Phase III trial results expected in the first quarter of 2007
	Opioid-induced bowel dysfunction	Planning Phase II/III pivotal trial	Phase II/III pivotal trial planned to commence by early 2007
SPI-8811	Non-steroidal anti-inflammatory drug (NSAID) induced ulcers	Phase I testing completed	Phase II trial planned to commence in early 2007
	Portal hypertension	Preclinical testing completed	Phase I/II proof-of-concept study planned to commence in 2007
	Non-alcoholic fatty liver disease	Phase IIa trial completed	Pending availability of new diagnostic tool
	Cystic fibrosis (oral formulation)	Phase IIa trial completed	Phase IIb dose-ranging trial planned to commence in 2007
	Cystic fibrosis (inhaled formulation)	Preclinical	Finalize inhaled formulation
	Chronic obstructive pulmonary disease	Preclinical	Finalize inhaled formulation
SPI-017	Peripheral arterial and vascular disease	Preclinical	Phase I trials of intravenous formulation planned to commence in early 2007
	Stroke	Preclinical	Phase I trials of intravenous formulation planned to commence in early 2007
	Alzheimer’s disease	Preclinical	Finalize oral formulation and commence preclinical toxicology studies in late 2006

Scientific Background of Prostones

Prostones are a class of compounds derived from functional fatty acids that occur naturally in the human body. The therapeutic potential of prostones was first identified by Dr. Ueno. Fatty acids serve as fuel for energy production in cells in many organisms and are intermediates in the synthesis of other important chemical compounds. To date, two prostone products have received marketing approval: AMITIZA for the treatment of chronic idiopathic constipation and RESCULA® (unoprostone isopropyl) for the treatment of glaucoma. RESCULA, which was developed by R-Tech under the leadership of Drs. Ueno and Kuno, was the first commercially available prostone drug. RESCULA was first sold in Japan beginning in 1994 and is currently marketed in more than 40 countries worldwide. Although we do not hold any rights to RESCULA, we believe that the successful development of AMITIZA and RESCULA demonstrates the therapeutic potential of prostones.

Ion Channel Activation

Based on our preclinical and clinical studies, we believe that most prostones work as selective ion channel activators, which means that they promote the movement of specific ions into or out of cells. Ions are charged particles, such as sodium, potassium, calcium and chloride. The concentration of specific ions within particular types of cells is important to many vital physiological functions in the human body. Because ions cannot move freely across cell membranes, they must enter or exit a cell through protein structures known as ion channels. Ion channels, which are found in every cell in the body, span the cell membrane and regulate the flow of ions into and out of cells by opening and closing in response to particular stimuli. Each kind of ion moves through its own specific ion channel. Some molecular compounds, including some prostones, have been shown to activate or inhibit ion channels, thereby controlling the concentration of specific ions within cells. We believe that these prostones work selectively on specific ion channels and, as a result, can be targeted to induce very specific pharmacological activities without triggering other cellular activity that could lead to undesirable side effects.

In preclinical *in vitro* tests on human cell lines with the three prostones that we are currently developing, AMITIZA, SPI-8811 and SPI-017, all three compounds selectively activated a specific ion channel known as the type-2 chloride channel, or ClC-2 channel. The ClC-2 channel is expressed in cells throughout the body and is one of the channels through which chloride ions move into and out of cells. Chloride channels regulate many essential physiological functions within cells, including cell volume, intracellular pH, cellular water and ion balance and regulation of cellular voltage and energy levels. We believe that AMITIZA is the first selective chloride channel activator approved by the FDA for therapeutic use in humans.

Potential Beneficial Effects of Prostones

We believe that the method of action of prostones that serve as selective ion channel activators may result in the following beneficial effects:

- *Enhancement of Fluid Secretion.* Activating the movement of specific ions into and out of cells can promote the secretion of fluid into neighboring areas. For example, AMITIZA promotes fluid secretion into the small intestine by activating the ClC-2 channel in the cells lining the small intestine. Likewise, RESCULA is a potassium channel activator that works to treat glaucoma by increasing aqueous humor outflow in ocular cells in the eyes.
- *Recovery of Barrier Function.* Disruption of the barrier function in human cells can trigger cell damage by increasing the permeability of cells and tissue, thereby diminishing the body's first line of defense. Recently, protein complexes occurring between cells known as "tight junctions" have been found to play a critical role in the regulation of barrier function in the body. The ClC-2 channel plays an important role in the restoration of these tight junction complexes and in the recovery of barrier function in the body. In preclinical studies, AMITIZA appeared to accelerate the recovery of the disrupted barrier function through the restoration of the tight junction structure. We believe that this may be a result of AMITIZA's specific effects on the ClC-2 channel. We believe that other prostones that act as ClC-2 channel activators may have a similar barrier recovery function.

- *Localized Activity.* Because most prostones act through contact with cells, their pharmacological activity is localized in those areas where the compound is physically present in its active form. Because some prostones metabolize relatively quickly to an inactive form, we believe their pharmacological effects are not spread to other parts of the body. These properties allow some prostones to be targeted to specific types of cells in specific organs through different routes of administration. For example, when AMITIZA is taken orally, it arrives in the small intestine and liver while it is still active and begins to act on the cells lining those organs. By the time it is passed through to the large intestine, it appears to have been largely metabolized and is no longer active. Similarly, we believe that inhaled formulations of some prostones would act principally in the lungs and intravenous formulations would act principally in the vascular system, in each case without having systemic effects.

Our Strategy

Our goal is to become a leading pharmaceutical company focused on discovering, developing and commercializing proprietary drugs based on prostones to treat diseases and disorders for which there are unmet or underserved medical needs and significant commercial potential. Our strategy to achieve this objective includes the following key elements:

Focus on the commercial launch of AMITIZA in the United States for the treatment of chronic idiopathic constipation in adults. We initiated commercial sales of AMITIZA in the United States for the treatment of chronic idiopathic constipation in collaboration with Takeda in April 2006. Takeda is marketing AMITIZA broadly to office-based specialty physicians and primary care physicians. Pursuant to the terms of our collaboration and license agreement with Takeda, Takeda is providing a dedicated sales force of at least 200 people to promote AMITIZA and a supplemental sales force of 500 people to promote AMITIZA together with one other drug product. We are complementing Takeda's marketing efforts by promoting AMITIZA in the institutional marketplace through a specialty sales force consisting of 38 contract field sales representatives. This institutional market is characterized by a concentration of elderly patients, who we believe will be a key market for AMITIZA to treat gastrointestinal indications, and by physicians who are key opinion leaders in the gastrointestinal field. In connection with the commercial launch of AMITIZA, we have recruited experienced internal sales and marketing leadership and developed a marketing strategy and promotional materials for the commercialization of AMITIZA in our targeted institutional market.

Develop AMITIZA for the treatment of additional indications and discover, develop and commercialize other prostone product candidates. We are concentrating our development efforts on expanding the approved indications for AMITIZA and developing our product candidates SPI-8811 and SPI-017. We hold an exclusive worldwide royalty-bearing license from Sucampo AG to develop and commercialize each of these prostone compounds. In the future, we also expect to develop other proprietary prostones. We believe that our focus on prostones may offer several potential advantages, including:

- *Novel mechanisms of action.* We believe that AMITIZA, SPI-8811 and SPI-017 have, and that additional product candidates that we may develop in the future based on prostones may have, novel mechanisms of action, such as selective ClC-2 chloride channel activation, that offer physicians a new approach to treatment of targeted indications.
- *Wide-ranging therapeutic potential of prostones.* We believe that many prostones promote fluid secretion, enhance cell barrier protection and can be developed to target particular organs or systems of the body. As a result, we believe that we will be able to develop prostone drugs to treat multiple diseases and disorders of the gastrointestinal, respiratory, vascular and central nervous systems.
- *Our discovery and development experience with prostones.* We expect that our considerable experience with AMITIZA, as well as the knowledge gained by Drs. Ueno and Kuno in the development of RESCULA, will facilitate our discovery and clinical development of additional prostone compounds.
- *Patent protection.* AMITIZA, SPI-8811 and SPI-017 each are covered by composition-of-matter, method of use and other issued patents or patent applications in the United States, Europe and Japan.

Target large and underserved markets. We believe that drugs based on prostones may be able to address a variety of large markets characterized either by treatments with limited effectiveness or, in some cases, no treatment. In addition to AMITIZA for the treatment of chronic idiopathic constipation in adults, the indication for which it has been approved by the FDA, we are targeting:

- AMITIZA for the treatment of chronic idiopathic constipation in pediatric patients and for the treatment of irritable bowel syndrome with constipation and opioid-induced bowel dysfunction;
- SPI-8811 for the treatment of NSAID-induced ulcers, portal hypertension, non-alcoholic fatty liver disease, cystic fibrosis and chronic obstructive pulmonary disease; and
- SPI-017 for the treatment of peripheral arterial disease, stroke and Alzheimer's disease.

Seek marketing approval for AMITIZA and our other product candidates in Europe and the Asia-Pacific region. We plan to pursue marketing approval for AMITIZA and our other product candidates in markets outside the United States. To the extent possible, we intend to use the data from our U.S. clinical trials and the experience gained from the U.S. approval process to expedite the approval process in the European Union, Japan and other countries. If we receive marketing approval for our products outside the United States, we plan to retain co-commercialization rights and work with third-party pharmaceutical companies with marketing, sales and distribution capabilities in the relevant regions to commercialize these products.

Focus on our core discovery and clinical development and commercialization activities. Our business model is to devote our resources and efforts to discovering, developing and commercializing product candidates based on prostones, while outsourcing other, non-core business functions to third parties. Following this approach, we selectively collaborate with a number of third parties to assist us with these non-core business functions. These collaborators include:

- Our affiliate R-Tech, which manufacturers commercial and clinical supplies of AMITIZA and other prostone compounds for us;
- Takeda, with whom we are collaborating to market AMITIZA for the treatment of chronic idiopathic constipation in adults; and
- Contract research organizations, whom we engage to perform preclinical and clinical trials of our product candidates.

We believe that applying our resources in this way allows us to concentrate on our core strengths while benefiting from the specialized expertise of our third-party collaborators.

Grow through strategic acquisitions and in-licensing opportunities. We intend to pursue strategic acquisitions and in-licensing opportunities to complement our existing product pipeline. We have significant experience in pharmaceutical research and product development, including clinical trials and regulatory affairs, and we have a specialty sales and marketing function focused on the institutional market. We believe that these capabilities will help us to identify attractive acquisition and in-licensing opportunities to build upon our core clinical development and commercialization capabilities.

Products and Product Candidates

AMITIZA™ (lubiprostone)

Overview

We are developing AMITIZA for the treatment of multiple constipation-related gastrointestinal disorders. AMITIZA functions as a selective activator of the ClC-2 chloride channel through which negatively charged chloride ions flow out of the cells lining the small intestine and into the intestinal cavity. As these negatively charged chloride ions enter the intestine, positively charged sodium ions move through spaces between the cells into the intestine to balance the negative charge of the chloride ions. As these sodium ions move into the intestine, water is also allowed to pass into the intestine through these spaces between the cells. We believe

that this movement of water into the small intestine promotes increased fluid content, which in turn softens the stool and facilitates its movement, or motility, through the intestine.

Chronic Idiopathic Constipation

On January 31, 2006, after a 10-month review, the FDA approved our new drug application, or NDA, for AMITIZA for the treatment of chronic idiopathic constipation in adults of all ages, including those over 65 years of age, without restriction as to duration of use. In collaboration with Takeda, we initiated commercial sales of AMITIZA in the United States for the treatment of chronic idiopathic constipation in April 2006. When used for this indication, AMITIZA gelatin capsules are taken orally twice daily in doses of 24 micrograms each.

Disease Overview. Constipation is characterized by infrequent and difficult passage of stool and becomes chronic when a patient suffers specified symptoms for over 12 non-consecutive weeks within a 12-month period. Chronic constipation is idiopathic if it is not caused by other diseases or by use of medications. Symptoms of chronic idiopathic constipation include straining, hard stools, bloating and abdominal pain or discomfort. Factors contributing to the development of chronic idiopathic constipation include a diet low in soluble and insoluble fiber, inadequate exercise, bowel disorders and poor abdominal pressure and muscular weakness.

Current Treatment. Some patients suffering from chronic idiopathic constipation can be successfully treated with lifestyle modification, dietary changes and increased fluid and fiber intake, and these treatments are generally tried first. For patients who fail to respond to these approaches, physicians typically recommend laxatives, most of which are available over-the-counter. The most commonly used laxatives can be categorized as stimulants, stool softeners, bulk-forming agents, osmotics or lubricants. Though somewhat effective in treating chronic idiopathic constipation, stimulants and stool softeners can be habit forming, while bulk-forming agents are often ineffective in patients with moderate-to-severe constipation. Osmotics, such as the prescription products MiraLax™ (polyethylene glycol 3350) and lactulose are labeled for use only for treating occasional constipation, not chronic idiopathic constipation, and they may cause fluid and electrolyte imbalance, which, if left untreated, can impair normal function of the nerves and muscles. In addition, lubricants, such as orally administered mineral oil, can be inconvenient and unpleasant for patients to ingest.

For those patients who fail to respond to laxatives, Zelnorm® (tegaserod maleate), a partial serotonin-receptor agonist, is often prescribed. Zelnorm, however, is not approved for administration to patients over 65 years of age and has been linked with incidents of ischemic colitis, a life-threatening inflammation of the large intestine caused by restricted blood flow, and other forms of intestinal ischemia. In addition, the effectiveness of Zelnorm for the treatment of chronic idiopathic constipation has not been studied beyond 12 weeks.

Market Opportunity. Studies published in *The American Journal of Gastroenterology* estimate that approximately 42 million people in the United States suffer from constipation. Based on these studies, we estimate that approximately 12 million people can be characterized as suffering from chronic idiopathic constipation. In an additional study published in *The American Journal of Gastroenterology*, 91% of physicians expressed a desire for better treatment options for constipation.

We believe that AMITIZA has a number of advantages over existing treatment options that could help it capture a significant portion of, and potentially expand, the existing market for chronic idiopathic constipation therapies. These advantages include the following:

- AMITIZA has been approved for administration to adults of all ages, including those over 65 years of age;
- AMITIZA has been approved without limitation on duration of use; and
- AMITIZA has not been associated with the serious side effects observed with some other treatment options, such as ischemic colitis and electrolyte imbalance.

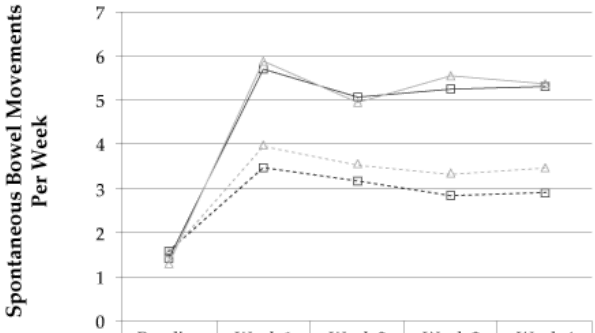
Clinical Trial Results. In connection with obtaining FDA marketing approval of AMITIZA, we conducted a comprehensive program of clinical trials of this drug for use in treating chronic idiopathic constipation. This clinical program included two Phase III pivotal trials and three long-term safety and efficacy trials.

Efficacy Results in Two Pivotal Clinical Trials. In August 2002 and September 2003, we completed two multi-center, double-blind, randomized, placebo-controlled, four-week, Phase III clinical trials of substantially identical design to assess the safety and efficacy of AMITIZA for the treatment of chronic idiopathic constipation. In each of these trials, we enrolled approximately 240 participants aged 18 or older with a history of chronic idiopathic constipation. The primary efficacy endpoint in these trials was the frequency of spontaneous bowel movements during the first week of treatment. Secondary efficacy endpoints included the frequency of spontaneous bowel movements during the second, third and fourth weeks of treatment, the percentage of participants with a spontaneous bowel movement within 24 hours after administration, the time to first spontaneous bowel movement and weekly subjective assessments by participants of average stool consistency, degree of straining, severity of constipation, overall treatment effectiveness and prevalence of other related symptoms, such as bloating and discomfort.

In these trials, AMITIZA met its primary efficacy endpoint with a high degree of statistical significance, increasing the frequency of spontaneous bowel movements during the first week of treatment by 64% in one pivotal trial and 48% in the second pivotal trial, in each case with a p-value less than or equal to 0.0001. In addition, on the basis of combined data from both pivotal trials, AMITIZA met all but one of the secondary efficacy endpoints with statistical significance. The results of these trials were consistent in subpopulation analyses for gender, race and patients 65 years of age or older. We determined statistical significance based on a widely used, conventional statistical method that establishes the p-value of clinical results. Under this method, a p-value of 0.05 or less represents statistical significance, meaning that there is a less than one-in-twenty likelihood that the observed results occurred by chance.

The table below sets forth the mean number of spontaneous bowel movements for the intent-to-treat population in these two pivotal trials on a weekly basis for each of the four weeks of the trials. The intent-to-treat population for these trials consisted of all participants enrolled in the trials who were randomized and received at least one dose of AMITIZA or placebo with the last observation carried forward.

AMITIZA for Chronic Idiopathic Constipation
Pivotal Phase III Clinical Trial Results
Weekly Number of
Spontaneous Bowel Movements



	Baseline	Week 1	Week 2	Week 3	Week 4
Trial 1 Placebo (n=122)	1.58	3.46	3.18	2.84	2.91
Trial 1 AMITIZA 24 mcg x 2 (n=120)	1.43	5.69	5.06	5.25	5.3
Trial 2 Placebo (n=118)	1.53	3.99	3.55	3.36	3.46
Trial 2 AMITIZA 24 mcg x 2 (n=119)	1.29	5.89	4.96	5.56	5.37

In the table above, "n" indicates the number of participants in each treatment group.

Efficacy Results in Long-term Safety Trials. Between November 2001 and January 2005, we conducted three multi-center, open-label, long-term clinical safety and efficacy trials of AMITIZA in patients with a history of chronic idiopathic constipation. The trials consisted of one six-month trial and two twelve-month trials and enrolled a total of 881 patients age 18 or older. The primary objective of these trials was to demonstrate the safety of AMITIZA when administered to participants in twice-daily doses of 24 micrograms each. A secondary objective was to provide further evidence of the long-term efficacy of AMITIZA in treating the symptoms of chronic idiopathic constipation. In these trials, AMITIZA produced statistically significant improvements from baseline in subjective assessments of constipation severity, abdominal bloating and abdominal discomfort over both the six-month and the twelve-month treatment periods.

Safety Profile and Withdrawal Effects. AMITIZA was well tolerated in twice-daily doses of 24 micrograms each in an earlier Phase II trial, the two Phase III pivotal trials and the three long-term clinical safety and efficacy trials. These trials revealed no apparent increased risk of serious adverse events as a result of treatment with AMITIZA. The most common adverse events reported by participants in these six trials were

nausea, which was reported by 31% of all trial participants, and diarrhea and headache, which were each reported by 13% of all trial participants. The incidence of nausea was lower among participants 65 years of age or older, with only 18.6% of those participants reporting this side effect. In addition, because AMITIZA demonstrated a potential to cause fetal loss in guinea pigs in preclinical studies, its label provides that it should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus. The label further states that women who could become pregnant should have a negative pregnancy test prior to beginning therapy with the drug and should be capable of complying with effective contraceptive measures.

Post-marketing Studies. In connection with our marketing approval for AMITIZA for the treatment of chronic idiopathic constipation in adults, we committed to the FDA to conduct post-marketing studies to evaluate the safety of the product in pediatric patients and in patients with renal and hepatic impairment. We currently are designing protocols for these studies and plan to commence the studies by January 2007.

Irritable Bowel Syndrome with Constipation

We are conducting two Phase III pivotal trials and a long-term safety trial of AMITIZA in men and women for the treatment of irritable bowel syndrome with constipation. In these trials, participants are taking AMITIZA gelatin capsules orally in twice daily doses of 8 micrograms each.

Disease Overview. Irritable bowel syndrome is a disorder of the intestines with symptoms that include severe cramping, pain, bloating and extreme changes of bowel habits, such as diarrhea or constipation. Patients diagnosed with irritable bowel syndrome are commonly classified as having one of three forms: irritable bowel syndrome with constipation, irritable bowel syndrome with diarrhea, or mixed-pattern irritable bowel syndrome alternating between constipation and diarrhea. Currently, irritable bowel syndrome in all its forms is considered to be one of the most common gastrointestinal disorders.

Current Treatment. Most treatment options for irritable bowel syndrome with constipation focus on separately addressing symptoms, such as pain or infrequent bowel movements. Some patients suffering from irritable bowel syndrome with constipation can be successfully treated with dietary measures, such as increasing fiber and fluid intake, and these treatments are generally tried first. If these measures prove ineffective, laxatives are frequently used for the management of this condition. Zelnorm is currently the only FDA-approved drug indicated for the treatment of irritable bowel syndrome with constipation, although its label limits its indication to short-term treatment of women. In December 2005, the European Medicines Agency refused marketing approval for Zelnorm for the treatment of irritable bowel syndrome with constipation in women, citing the inconclusiveness of clinical studies in demonstrating its effectiveness. In March 2006, the Agency denied an appeal of that decision.

Market Opportunity. According to the American College of Gastroenterology, irritable bowel syndrome affects approximately 58 million people in the United States, and irritable bowel syndrome with constipation accounts for approximately one-third of these cases.

Development Status. In June 2004, we completed a multi-center, double-blind, randomized, placebo-controlled, dose-response, 12-week Phase II clinical trial to assess the safety and efficacy of AMITIZA for the treatment of irritable bowel syndrome with constipation in daily doses of 16, 32 and 48 micrograms. In this trial, we enrolled approximately 200 participants meeting the International Congress of Gastroenterology's working criteria for the diagnosis of irritable bowel syndrome with constipation, referred to as the Rome II criteria. The objective of this trial was to evaluate the safety and efficacy of multiple dose levels of AMITIZA in this patient population in order to select the appropriate dose for Phase III pivotal studies.

The primary efficacy endpoint for this trial was a subjective assessment of changes in abdominal discomfort and pain during the first month of treatment. Secondary efficacy endpoints included subjective assessments of changes in abdominal discomfort and pain during the second and third months of treatment, frequency of spontaneous bowel movements, subjective assessments of average stool consistency, degree of straining, abdominal bloating, severity of constipation and overall treatment effectiveness and subjective assessment of quality of life.

In this trial, AMITIZA demonstrated a statistically significant, dose-dependent trend in improvement in mean change from baseline abdominal discomfort and pain during the first month of treatment with a p-value of 0.0431. This dose-dependent trend in improvement in mean change from baseline also was statistically significant during the second month of treatment with a p-value of 0.0336. During the third month of treatment, the trend in favor of AMITIZA continued, but was not statistically significant.

In accordance with the trial's protocol, we conducted comparisons of specific doses of AMITIZA versus placebo to evaluate improvements in mean change from baseline abdominal discomfort and pain. During the first month of treatment, only the 48 microgram dose demonstrated a statistically significant improvement in mean change from baseline, with a p-value of 0.0226, while during the second month of treatment, improvements in mean change from baseline in all three doses were statistically significant, with p-values of 0.0392 for the 16 microgram dose, 0.0331 for the 32 microgram dose and 0.0277 for the 48 microgram dose. The mean change from baseline compared with placebo in the 32 microgram dose during the first month of treatment was not statistically significant. Accordingly, as provided in the trial protocol, we initially did not test the 16 microgram dose versus placebo for the first month of treatment. However, we subsequently performed a comparison which demonstrated a statistically significant improvement in mean change from baseline abdominal discomfort and pain in the 16 microgram dose during the first month of treatment compared with the placebo, with a p-value of 0.033. Several secondary efficacy endpoints, including frequency of spontaneous bowel movements, subjective assessments of average stool consistency, degree of straining, abdominal bloating and severity of constipation, also showed overall dose-dependent trends that were statistically significant for at least two of the three months of treatment.

Although AMITIZA was well tolerated at all doses in this trial, the 16 microgram daily dose produced the best overall balance of safety and efficacy, with participants in the 32 and 48 microgram treatment groups generally more likely to discontinue treatment due to adverse events. The only adverse events that were dose-dependent and occurred more frequently in the AMITIZA treatment group than in the placebo treatment group were nausea, which was reported by 19% of participants dosed at 16 micrograms and 18% of participants dosed at 32 micrograms, and diarrhea, which was reported by 14% of participants dosed at 16 micrograms and 12% of participants dosed at 32 micrograms.

Based on the results of this Phase II trial, we initiated two pivotal Phase III clinical trials of AMITIZA in men and women for irritable bowel syndrome with constipation in May 2005, each involving 570 or more participants meeting the Rome II criteria for irritable bowel syndrome with constipation at 65 investigative study sites in the United States. We enrolled the last participant for these trials in April 2006. These Phase III pivotal trials are designed as double-blind, randomized, 12-week clinical trials to demonstrate the efficacy and safety of AMITIZA for the treatment of symptoms of irritable bowel syndrome with constipation using twice daily doses of 8 micrograms each, or 16 micrograms total. The primary efficacy endpoint for these trials is a subjective assessment of the participant's overall relief from the symptoms of irritable bowel syndrome with constipation. The secondary efficacy endpoints are similar to those for our Phase II clinical trials of AMITIZA for this indication and involve subjective assessments of such factors as abdominal discomfort and pain, bloating, stool consistency and quality of life components. The first of the two pivotal studies is being followed by a randomized withdrawal period to assess the effects, if any, associated with withdrawal of AMITIZA over a four-week period. We also are conducting an additional follow-on safety study to assess the long-term use of AMITIZA as a treatment for this indication. We expect to announce the preliminary results of these two Phase III pivotal trials and the follow-on safety trial in the first quarter of 2007.

If the results of our Phase III pivotal trials are favorable, we intend to pursue marketing approval for AMITIZA in the United States as well as Europe and Japan for the treatment of this indication. In connection with seeking marketing approval for AMITIZA in Europe and Japan, we anticipate that additional clinical studies will be required.

Opioid-Induced Bowel Dysfunction

We plan to initiate Phase II/III pivotal clinical trials of orally administered AMITIZA gelatin capsules for the treatment of opioid-induced bowel dysfunction by early 2007.

Disease Overview. Opioid-induced bowel dysfunction comprises a variety of gastrointestinal side effects stemming from the use of narcotic medications such as morphine and codeine, which are referred to as opioids. Physicians prescribe opioids for patients with advanced medical illnesses, such as cancer and AIDS, patients undergoing surgery and patients who experience chronic pain. Despite their pain-relieving effectiveness, opioids are known to produce gastrointestinal effects that lead to opioid-induced constipation, including inhibition of large intestine motility, decreased gastric emptying and hard stools.

Current Treatment. There are currently no FDA-approved products that are specifically indicated for treatment of opioid-induced bowel dysfunction. Current treatment options for opioid-induced bowel dysfunction include the use of stool softeners, enemas, suppositories and peristaltic stimulants such as senna, which stimulate muscle contractions in the bowel. The effectiveness of these products for the treatment of opioid-induced bowel dysfunction is limited due to the severity of the constipation caused by opioids. In addition, physicians often cannot prescribe peristaltic stimulants for the duration of narcotic treatment because of the potential for dependence upon these stimulants. As a result, patients frequently must discontinue opioid therapy and endure pain in order to obtain relief from opioid-induced bowel dysfunction.

Market Opportunity. According to the American Pain Foundation, over 50 million Americans suffer from chronic pain, and nearly 25 million Americans experience acute pain each year due to injuries or surgery. Opioid pain relievers are widely prescribed for these patients, many of whom also develop opioid-induced bowel dysfunction.

Opioid drugs are known to increase absorption of electrolytes, including chloride, in the small intestine, contributing to the constipating effects of these analgesics. We believe that AMITIZA, as a chloride channel activator, may directly counteract this side effect without interfering with the analgesic benefits of opioids. As a result, we believe that AMITIZA, if approved for the treatment of opioid-induced bowel dysfunction, could hold a competitive advantage over drugs that do not work through this mechanism of action.

Development Status. We have completed preclinical studies of AMITIZA as a potential therapy for opioid-induced bowel dysfunction in a model of morphine-induced constipation in mice. In these studies, AMITIZA was shown to improve intestinal transit time and did not result in any reduction of the analgesic effect of morphine. Based on these preclinical results, we have determined to pursue development of AMITIZA as a treatment for opioid-induced bowel dysfunction.

SPI-8811

Overview

We are developing the prostone compound SPI-8811 for oral administration to treat various gastrointestinal and liver disorders, including NSAID-induced ulcers, non-alcoholic fatty liver disease and portal hypertension. We also plan to develop an inhaled formulation of SPI-8811 for the treatment of respiratory disorders, such as cystic fibrosis and chronic obstructive pulmonary disease. We believe that SPI-8811, like AMITIZA, is an activator of the chloride ion channel ClC-2, which is known to be present in gastrointestinal, liver and lung cells.

We completed two Phase I clinical trials of SPI-8811 in healthy volunteers in Japan in 1997. In these trials, orally administered SPI-8811 was generally well tolerated both when it was administered three times daily for a period of seven days at doses we expect to be clinically relevant and when it was administered in single doses that were significantly higher than those we expect to be clinically relevant. Several incidents of loose or watery stools were reported, but at doses higher than those we expect to use in planned additional clinical trials. No serious adverse events were experienced by any participants in these trials, and no participants withdrew from these trials due to adverse events, even at dose levels several times higher than what we expect to be clinically-relevant doses of SPI-8811.

Non-Steroidal Anti-Inflammatory Drug-Induced Ulcers

We plan to initiate a Phase II clinical trial of SPI-8811 for the prevention and treatment of NSAID-induced ulcers in early 2007.

Disease Overview. NSAIDs, such as aspirin and ibuprofen, are among the most commonly prescribed drugs worldwide. They are used to treat common medical conditions, such as arthritis, headaches and fever. In addition, with the recent withdrawal from the marketplace of the COX-2 inhibitors Vioxx® (rofecoxib) and Bextra® (valdecoxib), which were widely prescribed for arthritis patients, an increased number of these patients are returning to NSAID therapy. However, gastrointestinal symptoms, such as gastric, or stomach, ulcers and bleeding, are major limiting side effects of long-term NSAID use.

Current Treatment. Current treatment options for NSAID-induced ulcers include products designed to prevent the formation of gastric ulcers during NSAID use and products that help to repair the damage of ulcers after they have developed. Cytotec® (misoprostol) is currently the only FDA approved product for the prevention of NSAID-induced gastric ulcers. It is sometimes marketed as a combination product with NSAIDs under the brand name Arthrotec®. However, Cytotec has been associated with severe diarrhea, particularly in higher doses, and its label restricts its use in women of childbearing potential, except in very limited circumstances, because it can cause abortion, premature birth and birth defects.

After NSAID-induced ulcers have developed, proton pump inhibitors, such as Nexium® (esomeprazole magnesium) and Prevacid® (lansoprazole), are prescribed to treat most gastric ulcer patients, either alone or in combination with other treatments. H2 blockers, such as Pepcid® (famotidine), Tagamet® (cimetidine) and Zantac® (ranitidine hydrochloride), help to reduce stomach acid and are typically prescribed as a second line of therapy for gastric ulcers, when proton pump inhibitors are not effective, or are used in conjunction with proton pump inhibitors. Although both proton pump inhibitors and H2 blockers can aid in the repair of existing gastric ulcers, neither of these drug categories has been shown to be effective in preventing ulcer development. Furthermore the therapeutic effects of these products are only observed at high doses and in some types of at-risk patients, such as those with a prior history of ulcers or those 65 years of age or older.

Market Opportunity. According to a study published in *Postgraduate Medicine*, approximately 13 million patients in the United States are regular users of NSAIDs. According to the American Chronic Pain Association, as many as 20% of patients who take NSAIDs daily may develop gastric ulcers. We believe that many patients treated with NSAIDs are not prescribed preventative treatment for gastric ulcers due to a combination of high cost, side effects and lack of a well established standard of care. We believe that these factors also limit the use of prescription products for the repair of gastric ulcers after they have developed. Based on SPI-8811's novel mechanism of action and protective activity in animal models, we believe that it may be effective at both preventing and treating NSAID-induced ulcers, but without the safety concerns and restrictions on use associated with existing treatment options.

Development Status. We have completed preclinical studies of SPI-8811 as a potential therapy for NSAID-induced ulcers. In preclinical tests in rats, SPI-8811 protected against formation of ulcers induced by indomethacin, an NSAID, and ulcers induced by stress and demonstrated an acceptable safety profile at what we believe are clinically relevant doses. In early 2007, we plan to initiate a Phase II clinical trial for SPI-8811. We expect that this Phase II trial will be a multi-center, randomized, placebo-controlled study to evaluate the effects of multiple doses of SPI-8811 for the treatment and prevention of ulcer formation following treatment with NSAIDs.

Other Potential Indications

Portal Hypertension. Portal hypertension is the build-up of pressure in the portal vein connecting the intestines and the liver and is caused by a narrowing of the blood vessel as a result of liver cirrhosis. Increased pressure in the portal vein can lead to the development of large, swollen veins in the esophagus, stomach and rectum which, if ruptured, can result in potentially life-threatening blood loss. According to a physician survey conducted by MEDACorp, an independent strategic consulting firm focused on the health care sector and a division of Leerink Swann & Co., Inc., one of the managing underwriters for this offering, approximately 4.0 million Americans suffer from liver cirrhosis, with approximately 1.5 million of those individuals also diagnosed with portal hypertension. Beta-adrenergic receptor blocking agents, or beta blockers, such as propranolol are the most common treatment for portal hypertension. Beta blockers help to relieve the effects of portal hypertension by lowering blood pressure throughout the body. However, these products are associated

with increased risk of stroke and a number of other side effects, including, nausea, diarrhea, hypotension, heart failure, dizziness, fatigue, insomnia and depression, which may limit their use, particularly among elderly patients. In contrast to beta blockers, we believe that SPI-8811 may be effective at reducing portal hypertension without exhibiting many of the serious side effects associated with beta blockers.

In preclinical tests, SPI-8811:

- reduced liver blood flow associated with portal hypertension in two rodent models of the disease;
- increased cutaneous blood flow in two additional animal models in the presence of chemical agents known to constrict the peripheral vasculature; and
- reduced vascular resistance in the liver induced by a chemical agent in an isolated rat model.

We plan to initiate a Phase I/II proof-of-concept study of SPI-8811 in patients with portal hypertension in 2007.

Non-Alcoholic Fatty Liver Disease. Non-alcoholic fatty liver disease is characterized by elevations of specific liver enzymes in the absence of excessive alcohol intake or other chronic liver diseases. Although all levels of non-alcoholic fatty liver disease lead to fat accumulation in the liver, the more advanced versions of this disease, known as Type 3 and Type 4 non-alcoholic fatty liver disease, also involve fibrosis and greatly increase the risk of progressive liver disease, cirrhosis and liver-related death. There is currently no treatment available for non-alcoholic fatty liver disease and the market size is unknown. According to the National Institute of Diabetes and Digestive and Kidney Diseases, a division of the National Institutes of Health, approximately 10% to 20% of Americans are affected by fat in the liver, and this condition is becoming more common, possibly due to the greater number of Americans with obesity.

In preclinical studies of SPI-8811 as a potential treatment for non-alcoholic fatty liver disease in rodent models of liver damage, SPI-8811 was found to favorably alter various serum indicators of liver function and to reduce the severity of liver injury caused by hepatitis.

In June 2003, we completed a limited, 28-day Phase IIa trial to assess the safety and efficacy of orally administered SPI-8811 for the treatment of non-alcoholic fatty liver disease. The efficacy results of this trial were inconclusive, which we believe was likely the result of the trial's short treatment period and the fact that all but one of the participants in this trial suffered from Type 4 non-alcoholic fatty liver disease, the most severe form of the disease. Although we believe that further investigation of the role of SPI-8811 in the prevention or delay of non-alcoholic fatty liver disease progression is warranted, current techniques for studying this condition require a biopsy of the liver. As a result, we do not plan to pursue human clinical trials of SPI-8811 for the treatment of non-alcoholic fatty liver disease until such time as less invasive methods are developed for diagnosing the disease and evaluating its progress.

Cystic Fibrosis. Cystic fibrosis is a congenital disease that usually develops during childhood and causes pancreatic insufficiency and pulmonary disorder. The gene product responsible for cystic fibrosis is a protein called the cystic fibrosis transmembrane conductance regulator, or CFTR. CFTR is found in cells lining the internal surfaces of the lungs, salivary glands, pancreas, sweat glands, intestine and reproductive organs and acts as a channel transporting chloride ions out of the cell. Cystic fibrosis is caused by a defect in the CFTR protein, which prevents the transport of chloride ions between cells, causing the body to develop thick, sticky mucus in the lungs, pancreas and liver. According to the Cystic Fibrosis Foundation, cystic fibrosis currently affects approximately 30,000 people in the United States and is usually diagnosed in infants and children.

In preclinical *in vitro* tests on human cell lines, SPI-8811 acted as an ion transport modulator, facilitating transport of chloride ions across cell membranes through the ClC-2 chloride channel, a transport process different from that which is defective in cystic fibrosis patients. We believe that the ability of SPI-8811 to activate chloride transport using an alternate chloride channel could potentially reverse the effects caused by the defective CFTR, reducing mucus viscosity and allowing increased clearance of mucus in the lungs, pancreas and liver.

In 2003, we conducted an open-label, dose-escalating Phase II safety and efficacy trial of orally administered SPI-8811 in 24 participants with documented cystic fibrosis. These participants were assigned to one of three dose cohorts at four sites in the United States and treated with SPI-8811 for seven days. The efficacy results of this Phase II trial were inconclusive, which we believe was likely due to the short duration of treatment, the rapid metabolization of the drug in the gastrointestinal tract and the limited number of participants enrolled in the trial. SPI-8811 was generally well tolerated by trial participants, although one participant experienced a serious adverse event and was hospitalized for exacerbation, or short-term worsening, of the disease, possibly as a result of treatment with SPI-8811. We plan to commence a Phase IIb dose-ranging trial of orally administered SPI-8811 for the treatment of gastrointestinal disorders associated with cystic fibrosis in 2007. In addition, we plan to develop an inhaled formulation of SPI-8811 for the treatment of respiratory symptoms of cystic fibrosis.

Chronic Obstructive Pulmonary Disease. Chronic obstructive pulmonary disease is characterized by the progressive development of airflow limitation in the lungs that is not fully reversible and encompasses chronic bronchitis and emphysema. According to the National Heart, Lung and Blood Institute, or the NHLBI, a division of the National Institutes of Health, approximately 12 million adults 25 years of age or older in the United States are diagnosed with chronic obstructive pulmonary disease. The NHLBI further estimates that approximately 24 million adults in the United States have evidence of impaired lung function, indicating in their view that this disease is underdiagnosed. Anticholinergics, smooth muscle relaxers that can help to widen air passageways to the lungs, have been the primary therapy to treat chronic obstructive pulmonary disease. Recently, combination agents, such as steroid/Beta-2 agonists, have enjoyed increased use as chronic obstructive pulmonary disease treatments. However, these treatments relieve only the symptoms of chronic obstructive pulmonary disease, such as chronic cough or shortness of breath, and have limited effect on reducing the incidence of exacerbation of the disease.

Because we believe that the method of action of SPI-8811 involves a barrier protection function resulting from chloride channel activation, we believe that it may be able to address multiple respiratory treatment needs, including treatment of exacerbations, chronic excessive mucus secretion and the mucus component of chronic bronchitis. In pharmacological testing using an inhaled formulation of SPI-8811 in a guinea pig model of acute bronchitis, SPI-8811 reduced cigarette smoke-induced airway resistance and restored forced expiratory volume. We plan to conduct additional preclinical testing of this inhaled formulation of SPI-8811 as a potential treatment for chronic obstructive pulmonary disease.

SPI-017

Overview

We are conducting preclinical development of SPI-017 for the treatment of peripheral arterial and vascular disease and central nervous system disorders. Initially, we are working on the development of an intravenous formulation of SPI-017 for the treatment of peripheral arterial disease. We also are developing an oral formulation of SPI-017 for the treatment of Alzheimer's disease. We plan to initiate Phase I clinical trials of the intravenous formulation of SPI-017 in early 2007 and the oral formulation in mid to late 2007.

In preclinical *in vitro* tests on human cell lines, SPI-017 activated chloride channels in very low concentrations on a variety of cells found in the central nervous system and peripheral blood vessels. We are currently evaluating the safety profile of SPI-017 in preclinical toxicology studies.

Potential Indications

Peripheral Arterial and Vascular Disease. Peripheral arterial disease, which also is sometimes referred to as peripheral vascular disease, is a chronic condition that results from narrowing of the vessels that supply blood to the stomach, kidneys, arms, legs and feet. Peripheral arterial disease is caused by the build-up of fatty deposits, or plaque, in the inner walls of the arteries as a result of a vascular condition known as atherosclerosis. This build-up of plaque restricts the flow of blood throughout the body, particularly in the arms and legs, and can lead to painful cramping and fatigue after exercise. The American Heart Association estimates that peripheral arterial disease affects as many as 8 million to 12 million people in the United States.

Anti-platelet medications, vasodilators and prostaglandins represent the most frequently prescribed treatments for peripheral arterial disease, but they have little or no impact on symptoms or the underlying atherosclerotic process. Palux® (alprostadil) and Liple® (alprostadil) are used for the treatment of chronic arterial occlusion in Japan, but are not currently available in the United States. In addition, Palux and other prostaglandin E1 drug products should not be administered to patients with bleeding disorders or patients being treated with chronic anti-platelet medications, such as aspirin, due to the detrimental effect of these products on platelet aggregation. Despite the need for additional treatments, we believe that few novel therapies are being explored.

In preclinical animal studies, intravenously administered SPI-017 counteracted blood vessel constriction induced by a chemical agent without significantly affecting blood pressure. In addition, in preclinical animal studies, SPI-017 had no effect on platelet aggregation. We believe that this may suggest that SPI-017, unlike Palux and other prostaglandin E1 drugs, could be used to treat patients with bleeding disorders or patients being treated with chronic anti-platelet medications. We are planning additional experiments to further test the activity of SPI-017 in animal models of peripheral arterial disease.

Stroke. Ischemic stroke occurs when an artery that supplies blood to the brain becomes blocked due to a blood clot or other blockage or when blood flow is otherwise reduced as a result of a heart condition. During ischemic stroke, a high rate of damage of neuronal cells in the brain usually leads to permanent functional loss. The American Heart Association estimates that approximately 700,000 patients in the Unites States suffer strokes annually, 88% of which are ischemic strokes.

The thrombolytic Activase® (alteplase, recombinant) is the principal drug currently used to treat acute ischemic stroke in the United States. To be effective, treatment with Activase must be initiated within three hours after the onset of stroke symptoms. In addition, because Activase is contraindicated in patients with intracranial hemorrhaging or active internal bleeding, treatment should be initiated only after exclusion of these conditions.

In animal studies, intravenously administered SPI-017 reduced the extent of cerebral tissue damage in experimentally induced ischemic stroke in rats. In these studies, intravenous SPI-017 administered shortly after the restoration of blood flow also significantly reduced the extent of tissue damage. We are planning additional animal tests to further define the time window for administration of SPI-017 and the concentration range.

Alzheimer's Disease. Alzheimer's disease is a chronic debilitating disease, with patients suffering from a progressive dementia over a number of years, ultimately resulting in severe incapacitation and a shortened lifespan. According to the Alzheimer's Association, there are approximately 4.5 million Alzheimer's disease patients in the United States.

While the causes of Alzheimer's disease are currently not well understood, it is widely recognized that particular regions of the brain may play a central role in memory. The brain comprises a complex network of neurons that enable memory, sensation, emotion and other cognitive functions. Neurons are highly specialized cells that are capable of communicating with each other through biochemical transmission across junctions called synapses. For this communication to occur, neurons secrete chemicals, known as neurotransmitters, that bind to receptors on neighboring neurons. Coordinated communication across synapses is essential for the formation of memories.

Several classes of ion channels play a critical role in both the activation of neurons and in the secretion of neurotransmitters across synapses. In particular, some classes of potassium ion channels, sodium ion channels and calcium ion channels have been shown to be critical in the cascade of events that leads to the secretion of neurotransmitters in key regions of the brain associated with memory. We believe that some of these channels may be important in the process of memory formation and retention.

Preliminary data from a preclinical study of SPI-017 in a rat model of Alzheimer's disease suggests that orally administered SPI-017 may restore cognitive behavior. We are planning additional studies to further define the activity of SPI-017 in this animal model.

Marketing and Sales

We are co-promoting AMITIZA in the United States with Takeda. We plan to market other product candidates that we may bring to market through a combination of our own sales capabilities and co-marketing, co-promotion, licensing and distribution arrangements with third-party collaborators.

As we develop other products for commercialization, we intend to evaluate the merits of retaining commercialization rights for ourselves, entering into similar collaborative arrangements with leading pharmaceutical companies to help further develop and commercialize our product candidates or a combination of both. Our decision whether to enter into collaborative arrangements will be based on such factors as anticipated development costs, therapeutic expertise and the commercial infrastructure required to access a particular market. We expect that in many of these arrangements, we will seek to co-promote our products in the United States and, in some cases, other markets as part of our ongoing effort to build our internal sales and marketing capabilities.

As part of this strategy, we entered into a 16-year collaboration and license agreement with Takeda in October 2004 for the joint development and commercialization of AMITIZA for gastrointestinal indications in the United States and Canada. In early 2006, we exercised the co-promotion rights under our collaboration and license agreement with Takeda in order to begin developing a specialized sales force to market AMITIZA and other gastrointestinal-related products to complement Takeda's sales efforts. Our initial strategy is to focus our marketing and sales efforts on promoting AMITIZA in the institutional marketplace, including specialist physicians based in academic medical centers and long-term care facilities. This institutional market is characterized by a concentration of elderly patients, who we believe will be a key market for AMITIZA to treat gastrointestinal indications, and by physicians who are key opinion leaders in the gastrointestinal field. Takeda is marketing AMITIZA more broadly to office-based specialty physicians and primary care physicians. Pursuant to the terms of the collaboration and license agreement, Takeda is providing a dedicated sales force of at least 200 people to promote AMITIZA and a supplemental sales force of 500 people to promote AMITIZA together with one other drug product.

In late 2005 and early 2006, in anticipation of the launch of AMITIZA, we recruited an experienced sales and marketing management team comprising an executive vice president of marketing and sales, a marketing director, a director of medical marketing, a national sales director and four regional sales managers.

In addition, effective February 2006, we entered into a contract sales agreement with Ventiv Commercial Services, LLC, or Ventiv, under which Ventiv is providing us with a contract specialty sales force of 38 field sales representatives to market AMITIZA in our targeted institutional market. The sales representatives, who are employees of Ventiv, are marketing AMITIZA on a full-time basis. Under the terms of the agreement, Ventiv is responsible for training the sales representatives on applicable healthcare laws and regulations, and we are responsible for training them with respect to product-specific information. The agreement provides that we will pay Ventiv a flat monthly fee as well as periodic incentive fees upon the recruitment and maintenance of specified numbers of sales representatives over the term of the agreement. In addition, we are responsible for reimbursing Ventiv for specified pass-through expenses related to, among other things, travel, training and employee bonuses. Our agreement with Takeda provides that Takeda will fund a significant portion of our contract sales force costs.

We determined to engage a contract sales force through Ventiv, instead of recruiting a sales force of our own, to minimize the time necessary to launch an operational sales force following our receipt of marketing approval for AMITIZA from the FDA. In light of the size of the sales force, we also believed this approach was more cost effective in the short term than establishing our own sales force internally. In the future, we may recruit our own specialty sales force to supplement or replace the Ventiv sales force. In addition, under the terms of our agreement with Ventiv, we have the right to hire some or all of Ventiv's contract sales representatives as our own employees after the first anniversary of their deployment in the field, subject to 90 days' prior written notice and payment of a specified conversion fee to Ventiv.

Takeda Collaboration

In October 2004, we entered into a 16-year collaboration and license agreement with Takeda to jointly develop and commercialize AMITIZA for gastrointestinal indications in the United States and Canada. The agreement provides Takeda with exclusive rights within these two countries to develop and commercialize AMITIZA under all relevant patents, know-how and trademarks. Takeda does not have the right to manufacture AMITIZA. Instead, Takeda is required to purchase all supplies of the product from R-Tech under a related supply and purchase agreement.

Development Costs. The agreement provides for development cost-sharing arrangements in which Takeda funds all development costs for the development of AMITIZA as a treatment for chronic idiopathic constipation and irritable bowel syndrome with constipation up to $30.0 million, of which we received the full amount in 2005. We are required to fund the next $20.0 million in development costs for these two indications, and all development costs in excess of $50.0 million are shared equally between Takeda and us. In addition, Takeda and we share equally in all external costs of regulatory-required studies up to $20.0 million, with Takeda funding any remaining costs related to such studies. For any additional indications beyond chronic idiopathic constipation and irritable bowel syndrome with constipation and for new formulations of AMITIZA, Takeda has agreed to fund all development costs, including regulatory-required studies, to a maximum of $50.0 million for each new indication and $20.0 million for each new formulation. Takeda and we have agreed to share equally all costs in excess of these amounts. With respect to any studies required to modify or expand the label for AMITIZA for the treatment of chronic idiopathic constipation or irritable bowel syndrome with constipation, Takeda has agreed to fund 70% of the costs of such studies and we have agreed to fund the remainder. With respect to the development costs for AMITIZA for the treatment of chronic idiopathic constipation in pediatric patients, the joint commercialization committee described below has determined that such costs will be funded entirely by Takeda.

Commercialization Funding Commitment. Takeda is obliged to maintain a specific level of funding for activities in relation to the commercialization of AMITIZA. This funding obligation is $10.0 million per year so long as marketing approval for the product in the United States is limited to the treatment of chronic idiopathic constipation. If we receive marketing approval in the United States for the treatment of irritable bowel syndrome with constipation and we and Takeda jointly determine to conduct a full-scale direct-to-consumer television advertising campaign for AMITIZA, Takeda's funding obligation for commercialization activities will increase to $80.0 million per year for three years.

Promotion and Marketing. Takeda is required to provide a dedicated sales force of at least 200 people to promote AMITIZA and a supplemental sales force of 500 people to promote AMITIZA together with one other drug product. In addition, Takeda is required to perform specified minimum numbers of product detail meetings with health care professionals throughout the term of the agreement depending upon the indications for which AMITIZA has been approved.

Co-Promotion Rights. Under the agreement, we retained co-promotion rights, which we exercised in February 2006. In connection with our exercise of these rights, we agreed to establish our own specialty sales force consisting of a team of approximately 38 field sales representatives provided under contract by Ventiv. The agreement provides that Takeda will fund a portion of our contract sales force costs, for a period of five years from the date we first deploy our sales representatives. We may increase the total number of our sales representatives and receive additional funding from Takeda for any related costs up to a specified annual amount, subject to the unanimous approval of the joint commercialization committee described below.

Medical and Scientific Activities. We also are entitled to receive cost reimbursement from Takeda on a case-by-case negotiated basis for a part of our commercialization efforts after launch with respect to specific medical and scientific activities undertaken by us. Takeda is to retain overall responsibility for managing these medical and scientific activities. We are responsible for the development of all publications directed at a scientific audience until January 31, 2007, with this work being reimbursed by Takeda up to a specified limit. We retain all intellectual property rights over the material in these publications. After January 31, 2007, Takeda will be primarily responsible for the development of these publications.

Licensing Fees, Milestone Payments and Royalties. Takeda made an up-front payment of $20.0 million in 2004 and has paid total development milestone payments of $50.0 million to date. Subject to reaching future development and commercial milestones, we are entitled to receive up to $140 million in additional development and commercial milestone payments. In addition, upon commercialization of any product covered by the agreement, Takeda is required to pay us a quarterly royalty on net sales revenue on sales of the commercialized product.

Governance. Our collaboration with Takeda is governed by several committees consisting of an equal number of representatives from both companies. These consist of a joint steering committee, which resolves any conflicts arising within the other committees, a joint development committee, a joint commercialization committee and a joint manufacturing committee. In the case of a deadlock within the joint steering committee, our chief executive officer has the determining vote on matters arising from the joint development and manufacturing committees, while Takeda's representative has the determining vote on matters arising from the joint commercialization committee.

New Indications and Additional Territories. Under the agreement, Takeda has a right of first refusal to obtain a license to develop and commercialize AMITIZA in the United States and Canada for any new indications that we may develop. In addition, the agreement granted Takeda an option to exclusively negotiate with our affiliated European and Asian operating companies, Sucampo Europe and Sucampo Japan, to jointly develop and commercialize AMITIZA in two additional territories: Europe, the Middle East, and Africa; and Asia. With respect to the negotiation rights for Europe, the Middle East and Africa, Takeda was required to pay Sucampo Europe an option fee of $3.0 million. In the event that these negotiations failed to produce a definitive agreement before we received marketing approval in the United States for AMITIZA for the treatment of chronic idiopathic constipation in adults, Sucampo Europe was required to repay Takeda $1.5 million of the original option fee. With respect to the negotiation rights for Asia, Takeda was required to pay Sucampo Japan an option fee of $2.0 million. In the event that these negotiations failed to produce a definitive agreement within twelve months, Sucampo Japan was required to repay Takeda $1.0 million of the original option fee. By the first quarter of 2006, the option rights for both territories had expired without agreement and, accordingly, we repaid Takeda an aggregate of $2.5 million of the original option fees.

Term. The Takeda agreement continues until 2020 unless earlier terminated. We may terminate the agreement if Takeda fails to achieve specific levels of net sales revenue, or if Takeda comes under the control of another party and launches a product competitive with AMITIZA. Alternatively, either party has the right to terminate the agreement in the following circumstances:

- a breach of the agreement by the other party that is not cured within 90 days, or 30 days in the case of a breach of payment obligations;
- a change of control of the other party in which the new controlling party does not expressly affirm its continuing obligations under the agreement;
- insolvency of the other party; or
- a failure to receive marketing approval from the FDA for AMITIZA for the treatment of irritable bowel syndrome with constipation and subsequent failure of the parties to agree on an alternative development and commercialization strategy.

Intellectual Property

Our success depends in part on our ability, and that of Sucampo AG, to obtain and maintain proprietary protection for the technology and know-how upon which our products are based, to operate without infringing on the proprietary rights of others and to prevent others from infringing on our proprietary rights.

We hold an exclusive worldwide royalty-bearing license from Sucampo AG to develop and commercialize AMITIZA and all other prostone compounds covered by patents and patent applications held by Sucampo AG. We are obligated to assign to Sucampo AG all patentable improvements that we make in the field of prostones, which Sucampo AG will in turn license back to us on an exclusive basis. If we have not committed specified

development efforts to any prostone compound other than AMITIZA, SPI-8811 and SPI-017 by the end of a specified period, which ends on the later of September 30, 2011 or three months after the date upon which Drs. Kuno and Ueno no longer control our company, then the commercial rights to that compound will revert to Sucampo AG, subject to a one-year extension in the case of any compound that we designate in good faith as planned for development within that year. Sucampo AG, wholly owned by Drs. Ryuji Ueno and Sachiko Kuno and based in Zug, Switzerland, is the patent holding company that maintains the patent portfolio derived from Dr. Ueno's research with prostone technology.

As of May 31, 2006, we had licensed from Sucampo AG rights to a total of 50 U.S. patents, 20 U.S. patent applications, 25 European Union patents, 14 European Union patent applications, 37 Japanese patents and 16 Japanese patent applications. Many of these patents and patent applications are counterparts of each other. Our portfolio of licensed patents includes patents or patent applications with claims directed to the composition of matter, including both compound and pharmaceutical formulation, or method of use, or a combination of these claims, for AMITIZA, SPI-8811 and SPI-017. Depending upon the timing, duration and specifics of FDA approval of the use of a compound for a specific indication, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Act.

The patent rights relating to AMITIZA licensed by us consist of six issued U.S. patents, three issued European Union patents and two issued Japanese patents relating to composition of matter and methods of use. These patent rights also include various U.S., European and Japanese patent applications relating to dosing, pharmaceutical formulation and other claims. The U.S. patent relating to composition of matter expires in 2020. The other U.S. and foreign patents expire between 2008 and 2022.

The patent rights relating to SPI-8811 licensed by us consist of eight issued U.S. patents, six issued European Union patents, and six issued Japanese patents relating to composition of matter and methods of use. These patent rights also include various U.S., European and Japanese patent applications relating to dosing regimes, pharmaceutical formulation and other claims. The U.S. patent relating to composition of matter expires in 2020. The other U.S. and foreign patents expire between 2008 and 2021.

The patent rights relating to SPI-017 licensed by us consist of nine issued U.S. patents, five issued European Union patents and five issued Japanese patents relating to methods of use. These patent rights also include various U.S., European and Japanese patent applications relating to composition of matter and methods of use. If the application for a U.S. patent relating to composition of matter were granted, this patent would expire in 2020. The U.S. patents relating to methods of use and the other U.S. and foreign patents expire between 2010 and 2020.

We are actively seeking to augment the patent protection of our licensed compounds by focusing on the development of new chemical entities, or NCEs, such as AMITIZA, SPI-8811 and SPI-017, which have not previously received FDA approval. Upon approval by the FDA, NCEs are entitled to market exclusivity in the United States with respect to generic drug products for a period of five years from the date of FDA approval, even if the related patents have expired.

The patent positions of companies like ours are generally uncertain and involve complex legal and factual questions. Our ability to maintain and solidify our proprietary position for our technology will depend on our success, in conjunction with Sucampo AG, in obtaining effective claims and enforcing those claims once granted. In some cases, we license patent applications instead of issued patents, and we do not know whether any of the patent applications will result in the issuance of any patents. Our licensed patents may be challenged, invalidated or circumvented, which could limit our ability to stop competitors from marketing related products or the length of term of patent protection that we may have for our products. In addition, our competitors may independently develop similar technologies or duplicate any technology developed by us, and the rights granted under any issued patents may not provide us with any meaningful competitive advantages against these competitors. Furthermore, because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that, before any of our product candidates can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of the patent.

We may rely, in some circumstances, on trade secrets to protect our technology. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by confidentiality agreements with our employees, consultants, scientific advisors and contractors. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

License from Sucampo AG

Prior to the closing of this offering, we will have entered into a restated license agreement with Sucampo AG. Under this agreement, Sucampo AG has granted to us a royalty-bearing, exclusive, worldwide license, with the right to sublicense, to develop and commercialize AMITIZA, SPI-8811 and SPI-017 and any other prostone compounds, other than RESCULA, subject to Sucampo AG's patents. Under the terms of the license, we are obligated to assign to Sucampo AG any patentable improvements derived or discovered by us relating to AMITIZA, SPI-8811 and SPI-017 through the term of the license. In addition, we are obligated to assign to Sucampo AG any patentable improvements derived or discovered by us relating to other licensed prostone compounds prior to the date which is the later of June 30, 2011 or the date on which Drs. Ueno and Kuno cease to control our company. All compounds assigned to Sucampo AG under this agreement will be immediately licensed back to us on an exclusive basis.

In consideration of the license, we are required to make milestone and royalty payments to Sucampo AG. The milestone payments include:

- a payment of $500,000 upon the initiation of the first Phase II clinical trial for each compound in each of three territories covered by the license: North, Central and South America, including the Caribbean; Asia; and the rest of the world; and
- a payment of $1.0 million for the first NDA filing or comparable foreign regulatory filing for each compound in each of the same three territories.

Upon payment of the above milestones, no further payments will be required either for new indications or formulations or for further regulatory filings for the same compound in additional countries within the same territory. In addition, we are required to pay Sucampo AG 5% of any up-front or milestone payments that we receive from our sublicensees.

Under the license, we also are required to pay Sucampo AG, on a country-by-country basis, ongoing patent royalties as follows:

- With respect to sales of licensed compounds covered by patents existing on the date of this offering, we are required to pay a royalty of 4.5% of net sales until the last existing patent covering each relevant compound has expired. With respect to sales of AMITIZA in North, Central and South America, including the Caribbean, this royalty is set at 2.2% of net sales.
- Thereafter, if we have assigned any relevant improvement patents to Sucampo AG with respect to a licensed compound, we are required to pay a royalty of 2.25% of net sales, or 1.1% of net sales in the case of sales of AMITIZA in North, Central and South America, including the Caribbean, until the last improvement patent covering each relevant compound has expired.
- With respect to sales of licensed compounds covered by new patents derived by us and assigned to Sucampo AG after the date of this offering, we are required to pay a royalty of 2.25% of net sales until the terms of the last new patent covering each relevant compound have expired.

In addition, we are required to pay Sucampo AG, on a country-by-country basis, a know-how royalty of 2% of net sales, or 1% of net sales in the case of sales of AMITIZA in North, Central and South America, including

the Caribbean, until the fifteenth anniversary of the first sale of the respective compound. All royalties required to be paid under the license are based on total product net sales, whether by us or a sublicensee, and not on amounts actually received by us.

The license from Sucampo AG is perpetual as to AMITIZA, SPI-8811 and SPI-017 and cannot be terminated unless we default in our payment obligations to Sucampo AG. With respect to any other licensed prostone compounds, we are required to perform preclinical testing over a specified period on those compounds and to generate specified pharmacological and toxicity data. The specified period ends on the later of September 30, 2011 or three months after the date upon which Drs. Kuno and Ueno no longer control our company. At the end of the specified period, Sucampo AG can terminate our license with respect to any compounds as to which we have not performed the required testing, except for any compounds we designate as compounds for which we intend in good faith to perform the required testing within the following twelve months. At the end of the twelve-month period, Sucampo AG may terminate our license as to any of the designated compounds for which we have not performed the required testing.

We will need to focus our development resources and funding on a limited number of compounds during the specified period. The decision whether to commit development resources to a particular compound will require us to determine which compounds have the greatest likelihood of commercial success. Initially, Dr. Ueno and his staff will be primarily responsible for making these decisions on our behalf. To assist in this determination, we may in the future institute a management review process that will consist of a special committee of certain members of management, but that committee will not include Drs. Ueno and Kuno.

We retain the rights to any improvements, know-how or other intellectual property we develop that is not related to prostones. We also retain the rights to any improvements, know-how or other intellectual property we develop after the Sucampo AG reversion date, even if they are related to prostones.

The agreement provides that, until the later to occur of June 30, 2011 or until Drs. Ueno and Kuno cease to control our company, Sucampo AG may not develop or commercialize:

- any products with a primary mode of action substantially the same as that of any licensed compound; or
- any products licensed or approved for an indication for which a licensed compound is approved or under development.

Thereafter, Sucampo AG may undertake development of competing products but may not commercialize these products for an additional two years.

As part of this license, we have assumed the responsibility to pay the patent filing and maintenance costs related to the licensed rights. In return, we have control over patent filing and maintenance decisions. The license agreement also specifies how we and Sucampo AG will allocate costs to defend patent infringement litigation brought by third parties and costs to enforce patents against third parties.

Manufacturing

We do not own or operate manufacturing facilities for the production of commercial quantities of AMITIZA or preclinical or clinical supplies of the other prostone compounds that we are testing in our development programs. Instead, we rely, and expect to continue to rely, exclusively on our affiliate R-Tech to supply us with AMITIZA, SPI-8811 and SPI-017 and any future prostone compounds that we determine to develop or commercialize. Drs. Ueno and Kuno own, directly and indirectly, a majority of the stock of R-Tech.

Prior to the closing of this offering, we, together with our subsidiaries Sucampo Europe and Sucampo Japan, will have entered into an exclusive supply arrangement with R-Tech. Under the terms of this arrangement, we have granted to R-Tech the exclusive right to manufacture and supply AMITIZA to meet our commercial and clinical requirements worldwide until June 2025. With the exception of the exclusive supply agreements with Takeda described below, R-Tech is prohibited from supplying AMITIZA to anyone other than us during this period. Our supply arrangement with R-Tech also provides that R-Tech will assist us in connection with applications for marketing approval for AMITIZA in the United States and elsewhere, including assistance with regulatory compliance for chemistry, manufacturing and controls. In consideration

of these exclusive rights, R-Tech has paid to us $8.0 million in upfront and milestone payments. Either we or R-Tech may terminate the supply arrangement with respect to us or one of our operating subsidiaries in the event of the other party's uncured breach or insolvency.

In anticipation of the commercial development of AMITIZA, Takeda, R-Tech and we entered into a 16-year supply agreement in October 2004, which was supplemented by a definitive supply and purchase agreement in January 2006. Under these agreements, R-Tech agreed to supply and Takeda agreed to purchase all of Takeda's commercial requirements, including product samples, for AMITIZA in the United States and Canada. Pursuant to the terms of these agreements, Takeda is required to provide R-Tech with a rolling 24-month forecast of its product and sample requirements and R-Tech is required to keep adequate levels of inventory in line with this forecast. In addition, these agreements require R-Tech to maintain a six-month supply of the active ingredient used in manufacturing AMITIZA and a six-month supply of AMITIZA in bulk form as backup inventory. Upon a termination of the collaboration and license agreement between Takeda and us, either Takeda or we may terminate these supply agreements by notice to R-Tech.

R-Tech is Takeda's and our sole supplier of AMITIZA. In the event that R-Tech cannot meet some or all of Takeda's or our demand, neither Takeda nor we have alternative manufacturing arrangements in place. However, we have the right to qualify a back-up supplier for AMITIZA and, in the event that R-Tech is unwilling or unable to meet our demand, we may purchase AMITIZA from this back-up supplier at our election. If we chose to qualify a back-up supplier, R-Tech will grant to that back-up supplier a royalty-free license to use any patents or know-how owned or controlled by R-Tech relating to the manufacturing process for AMITIZA and will provide, upon our reasonable request and at our expense, consulting services to the back-up supplier to enable it to establish an alternative manufacturing capability for AMITIZA.

R-Tech operates a cGMP compliant manufacturing facility near Osaka, Japan. In October 2005, R-Tech received approval from the FDA to manufacture AMITIZA at this facility. In addition, R-Tech manufactures its own prostone product RESCULA at this facility and has been the sole supplier of this product to the marketplace since 1994 without interruption.

Prior to the closing of this offering, we also will have entered into exclusive supply arrangements with R-Tech to provide us with clinical supplies of our product candidates SPI-8811 and SPI-017 and to assist us in connection with applications for marketing approval for these compounds in the United States and elsewhere, including assistance with regulatory compliance for chemistry, manufacturing and controls.

Competition

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. While we believe that our technologies, knowledge, experience, and resources provide us with competitive advantages, we face potential competition from many different sources, including commercial pharmaceutical and biotechnology enterprises, academic institutions, government agencies, and private and public research institutions. AMITIZA and any other product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

Many of our competitors may 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. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel, as well as in acquiring technologies complementary to, or necessary for, our programs. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer side effects, are more convenient or are less expensive than AMITIZA or the other product candidates that we are developing. In addition, our ability to compete may be affected because in some cases insurers or other third-party payors seek to encourage the use of generic

products. This may have the effect of making branded products less attractive, from a cost perspective, to buyers.

There are currently approved therapies for the diseases and conditions addressed by AMITIZA. For example, Zelnorm, which is marketed by Novartis Pharmaceuticals Corporation, has been approved both for the treatment of chronic idiopathic constipation in adults under 65 years of age and for the short-term treatment of irritable bowel syndrome with constipation in women. In addition, the osmotic laxatives MiraLax, which is marketed by Braintree Laboratories, Inc., and lactulose, which is produced by Solvay S.A., have each been approved for the treatment of occasional constipation.

Several companies also are working to develop new drugs and other therapies for these same diseases and conditions. Some of these potential competitive drug products include:

- Drugs targeting serotonin receptors for the treatment of irritable bowel syndrome with constipation, such as Renzapride, being developed by Alizyme plc and currently in Phase III clinical trials; and
- Opioid antagonists such as Entereg® (alvimopan), being developed by Adolor Corporation and currently in Phase III clinical trials, and methylnaltrexone, being developed by Progenics Pharmaceuticals, Inc. and currently in Phase III clinical trials, each for the treatment of opioid-induced bowel dysfunction.

We face similar competition from approved therapies and potential drug products for the diseases and conditions addressed by SPI-8811, SPI-017 and our other product candidates.

The key competitive factors affecting the success of all of our product candidates are likely to be their efficacy, safety, price and convenience.

Government Regulation

Government authorities in the United States, at the federal, state and local level, and in other countries extensively regulate, among other things, the research, development, testing, approval, manufacturing, labeling, post-approval monitoring and reporting, packaging, promotion, storage, advertising, distribution, marketing and export and import of pharmaceutical products such as those we are developing. The process of obtaining regulatory approvals and the subsequent substantial compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources.

United States Government Regulation

In the United States, the information that must be submitted to the FDA in order to obtain approval to market a new drug varies depending upon whether the drug is a new product whose safety and efficacy have not previously been demonstrated in humans or a drug whose active ingredients and certain other properties are the same as those of a previously approved drug. A product whose safety and efficacy have not previously been demonstrated in humans will follow the New Drug Application, or NDA, route.

The NDA Approval Process

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act and implementing regulations. Failures to comply with the applicable FDA requirements at any time during the product development process, approval process or after approval may result in administrative or judicial sanctions. These sanctions could include the FDA's imposition of a hold on clinical trials, refusal to approve pending applications, withdrawal of an approval, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties or criminal prosecution. Any agency or judicial enforcement action could have a material adverse effect on us.

The steps required before a drug may be marketed in the United States include:

- completion of preclinical laboratory tests, animal studies and formulation studies under the FDA's good laboratory practices regulations;

- submission to the FDA of an investigational new drug application, or IND, for human clinical testing, which must become effective before human clinical trials may begin and which must include a commitment that an independent Institutional Review Board, or IRB, will be responsible for the review and approval of each proposed study and that the investigator will report to the IRB proposed changes in research activity;
- performance of adequate and well-controlled clinical trials in accordance with good clinical practices to establish the safety and efficacy of the product for each indication;
- submission to the FDA of an NDA;
- satisfactory completion of an FDA Advisory Committee review, if applicable;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with current good manufacturing practices, or cGMP, to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity; and
- FDA review and approval of the NDA.

Preclinical tests include laboratory evaluations of product chemistry, toxicology and formulation, as well as animal studies. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information and analytical data, to the FDA as part of the IND. Preclinical testing generally continues after the IND is submitted. The IND must become effective before human clinical trials may begin. An IND will automatically become effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions about issues such as the conduct of the trials as outlined in the IND. In that case, the IND sponsor and the FDA must resolve any outstanding FDA concerns or questions before clinical trials can proceed. In other words, submission of an IND does not guarantee that the FDA will allow clinical trials to commence.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an IRB at each site at which the study is conducted must approve the protocol, any amendments to the protocol and related materials such as informed consent documents and investigator brochures. All research subjects must provide their informed consent in writing.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap or be combined. Phase I trials usually involve the initial introduction of the investigational drug into healthy volunteers to evaluate the product's safety, dosage tolerance and pharmacokinetics, or the process by which the product is absorbed, distributed, metabolized and eliminated by the body, and, if possible, to gain an early indication of its effectiveness.

Phase II trials usually involve trials in a limited patient population to:

- evaluate dosage tolerance and appropriate dosage;
- identify possible adverse effects and safety risks; and
- provide a preliminary evaluation of the efficacy of the drug for specific indications.

Phase II trials are sometimes denoted as Phase IIa or Phase IIb trials. Phase IIa trials typically represent the first human clinical trial of a drug candidate in a smaller patient population and are designed to provide earlier information on drug safety and efficacy. Phase IIb trials typically involve larger numbers of patients and may involve comparison with placebo, standard treatments or other active comparators.

Phase III trials usually further evaluate clinical efficacy and test further for safety in an expanded patient population. Phase III trials usually involve comparison with placebo, standard treatments or other active

comparators. These trials are intended to establish the overall risk-benefit profile of the product and provide an adequate basis for physician labeling.

Phase I, Phase II and Phase III testing may not be completed successfully within any specified period, if at all. Furthermore, the FDA or we may suspend or terminate clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of research if the research is not being conducted in accordance with the IRB's requirements or if the research has been associated with unexpected serious harm to patients.

Assuming successful completion of the required clinical testing, the results of the preclinical studies and of the clinical trials, together with other detailed information, including information on the chemistry, manufacture and composition of the product, are submitted to the FDA in the form of an NDA requesting approval to market the product for one or more indications. In most cases, a substantial user fee must accompany the NDA. The FDA will initially review the NDA for completeness before it accepts the NDA for filing. After the NDA submission is accepted for filing, the FDA reviews the NDA to determine, among other things, whether a product is safe and effective for its intended use and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity, strength, quality and purity.

Under the Pediatric Research Equity Act of 2003, or PREA, all NDAs or supplements to NDAs relating to a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration must contain data to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the drug is determined to be safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers, as it did in connection with our NDA for AMITIZA for the treatment of chronic idiopathic constipation. Unless otherwise required by regulation, PREA does not apply to any drug for an indication for which orphan designation has been granted.

Before approving an NDA, the FDA will inspect the facility or the facilities at which the product is manufactured. The FDA will not approve the product unless cGMP compliance is satisfactory. If the FDA determines the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in the submission and often will request additional testing or information. Notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

With respect to approval for a new indication where the product candidate is already approved for another indication, the results of product development, pre-clinical studies and clinical trials are submitted to the FDA as part of an NDA supplement. The FDA may deny approval of an NDA supplement if the applicable regulatory criteria are not satisfied, or it may require additional clinical data or an additional pivotal Phase III clinical trial. Even if such data are submitted, the FDA may ultimately decide that the NDA supplement does not satisfy the criteria for approval.

The testing and approval process requires substantial time, effort and financial resources, and each may take several years to complete. Data obtained from clinical activities are not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The FDA may not grant approval on a timely basis, or at all. We may encounter difficulties or unanticipated costs in our efforts to secure necessary governmental approvals, which could delay or preclude us from marketing our products. The FDA may limit the indications for use or place other conditions on any approvals that could restrict the commercial application of the products. After approval, some types of changes to the approved product, such as manufacturing changes and additional labeling claims, are subject to further FDA review and approval.

Post-Approval Requirements

After regulatory approval of a product is obtained, we are required to comply with a number of post-approval requirements. For example, as a condition of approval of an NDA, the FDA may require post

marketing, or Phase IV, trials to assess the product's long-term safety or efficacy. In addition, holders of an approved NDA are required to report certain adverse reactions and production problems to the FDA, to provide updated safety and efficacy information and to comply with requirements concerning advertising and promotional labeling for their products. Also, quality control and manufacturing procedures must continue to conform to cGMP after approval. The FDA periodically inspects manufacturing facilities to assess compliance with cGMP, which imposes certain procedural, substantive and recordkeeping requirements. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance.

We rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of our product candidates. Future FDA inspections may identify compliance issues at our facilities or at the facilities of our contract manufacturers that may disrupt production or distribution, or require substantial resources to correct. In addition, discovery of problems with a product or the failure to comply with applicable requirements may result in restrictions on a product, manufacturer or holder of an approved NDA, including withdrawal or recall of the product from the market or other voluntary, FDA-initiated or judicial action that could delay or prohibit further marketing. Newly discovered or developed safety or effectiveness data may require changes to a product's approved labeling, including the addition of new warnings and contraindications. Also, new government requirements, including those resulting from new legislation, may be established that could delay or prevent regulatory approval of our products under development.

Orphan Drug Designation

We have received an orphan drug designation from the FDA for the oral formulation of our product candidate SPI-8811 for the treatment of cystic fibrosis and may pursue orphan drug designation for additional product candidates, as appropriate. The FDA may grant orphan drug designation to drugs intended to treat a "rare disease or condition" that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug for this type of disease or condition will be recovered from sales in the United States for that drug. Orphan drug designation must be requested before submitting an application for marketing approval. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. Orphan drug designation can provide opportunities for grant funding towards clinical trial costs, tax advantages and FDA user-fee benefits. In addition, if a product which has an orphan drug designation subsequently receives the first FDA approval for the indication for which it has such designation, the product is entitled to orphan drug exclusivity, which means the FDA may not approve any other application to market the same drug for the same indication for a period of seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan exclusivity. Competitors may receive approval of different drugs or biologics for the indications for which the orphan product has exclusivity or may receive approval of the same drug as the orphan drug product for a different indication.

Regulation Outside the United States

In addition to regulations in the United States, we will be subject to a variety of regulations in other jurisdictions governing clinical trials and commercial sales and distribution of our products. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of countries outside the United States before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Europe

To obtain regulatory approval of a drug under European Union regulatory systems, we may submit marketing authorizations either under a centralized or decentralized procedure. The centralized procedure,

which is compulsory for medicines produced by certain biotechnological processes and optional for those which are highly innovative, provides for the grant of a single marketing authorization that is valid for all European Union member states. All marketing authorizations for products designated as orphan drugs must be granted in accordance with the centralized procedure. The decentralized procedure provides for a member state, known as the reference member state, to assess an application, with one or more other, or concerned, member states subsequently approving that assessment. Under this procedure, an applicant submits an application, or dossier, and related materials including a draft summary of product characteristics, and draft labeling and package leaflet, to the reference member state and concerned member states. The reference member state prepares a draft assessment and related materials within 120 days after receipt of a valid application. Within 90 days of receiving the reference member state's assessment report, each concerned member state must decide whether to approve the assessment report and related materials. If a member state cannot approve the assessment report and related materials on the grounds of potential serious risk to the public health, any disputed points may be referred to the European Commission, whose decision is binding on all member states.

The European Medicines Agency, or EMEA, grants orphan drug designation to promote the development of products that may offer therapeutic benefits for life-threatening or chronically debilitating conditions affecting not more than five in 10,000 people in the European Union. In addition, orphan drug designation can be granted if the drug is intended for a life threatening, seriously debilitating or serious and chronic condition in the European Union and that without incentives it is unlikely that sales of the drug in the European Union would be sufficient to justify developing the drug. Orphan drug designation is only available if there is no other satisfactory method approved in the European Union of diagnosing, preventing or treating the condition, or if such a method exists, the proposed orphan drug will be of significant benefit to patients. Orphan drug designation provides opportunities for free protocol assistance, fee reductions for access to the centralized regulatory procedures before and during the first year after marketing authorization and 10 years of market exclusivity following drug approval. Fee reductions are not limited to the first year after authorization for small and medium enterprises. The exclusivity period may be reduced to six years if the designation criteria are no longer met, including where it is shown that the product is sufficiently profitable that maintaining market exclusivity is not justified. In addition, European regulations establish that a competitor's marketing authorization for a similar product with the same indication may be granted if there is an insufficient supply of the product or if the competitor can establish that its product is safer, more effective or otherwise clinically superior.

Japan

In Japan, pre-marketing approval and clinical studies are required for all pharmaceutical products. The regulatory regime for pharmaceuticals in Japan has in the past been so lengthy and costly that it has been cost-prohibitive for many pharmaceutical companies. Historically, Japan has required that all clinical data submitted in support of a new drug application be performed on Japanese patients. Recently, however, as a part of the global drug harmonization process, Japan has signaled a willingness to accept United States or European Union patient data when submitted along with a bridging study, which demonstrates that Japanese and non-Japanese subjects react comparably to the product. This approach, which is executed on a case-by-case basis, may reduce the time required for approval and introduction of new products into the Japanese market.

Amendments to Japan's drug regulatory legislation went into effect in April 2005.

- Under the revised legislation, Japan adopted a marketing authorization process comparable to the European Union authorization and United States NDA. This is expected to allow greater flexibility on the part of Japanese manufacturers to efficiently organize their production/marketing activities.
- The amended legislation requires worldwide compliance with good manufacturing practice requirements by exporters of pharmaceutical products to Japan and detailed disclosure of the manufacturing process to the Japanese authorities, as well as to the importer in Japan.

The Japanese government has also announced that it intends during 2006 to introduce a new proprietary data exclusivity period of up to eight years in order to protect the value of clinical data.

Regulation of the Health Care Industry

In addition to the regulatory approval requirements described above, we are or will be directly, or indirectly through our customers, subject to extensive regulation of the health care industry by the federal government and the states and foreign countries in which we may conduct our business. The laws that directly or indirectly affect our ability to operate our business include the following:

- the federal Medicare and Medicaid Anti-Kickback law, which prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce either the referral of an individual, or furnishing or arranging for a good or service, for which payment may be made under federal healthcare programs such as the Medicare and Medicaid Programs;
- other Medicare laws, regulations, rules, manual provisions and policies that prescribe the requirements for coverage and payment for services performed by our customers, including the amount of such payment;
- the federal False Claims Act, which imposes civil and criminal liability on individuals and entities who submit, or cause to be submitted, false or fraudulent claims for payment to the government;
- the federal False Statements Act, which 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; and
- state and foreign law equivalents of the foregoing and state laws regarding pharmaceutical company marketing compliance, reporting and disclosure obligations.

If our operations are found to be in violation of any of these laws, regulations, rules or policies or any other law or governmental regulation to which we or our customers are or will be subject, or if interpretations of the foregoing change, we may be subject to civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment or restructuring of our operations. Similarly, if our customers are found non-compliant with applicable laws, they may be subject to sanctions.

Pharmaceutical Pricing and Reimbursement

In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend in part on the availability of reimbursement from third-party payors. Third-party payors include government health administrative authorities, managed care providers, private health insurers and other organizations. These third-party payors are increasingly challenging the price and examining the cost-effectiveness of medical products and services. In addition, significant uncertainty exists as to the reimbursement status of newly approved healthcare product candidates. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness of our products. Our product candidates may not be considered cost-effective. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

In 2003, the United States government enacted legislation providing a partial prescription drug benefit for Medicare recipients, which became effective at the beginning of 2006. Government payment for some of the costs of prescription drugs may increase demand for any products for which we receive marketing approval. However, to obtain payments under this program, we would be required to sell products to Medicare recipients through drug procurement organizations operating pursuant to this legislation. These organizations would negotiate prices for our products, which are likely to be lower than the prices we might otherwise obtain. Federal, state and local governments in the United States continue to consider legislation to limit the growth of healthcare costs, including the cost of prescription drugs. Future legislation could limit payments for pharmaceuticals, including AMITIZA and the drug candidates that we are developing.

The marketability of any products for which we receive regulatory approval for commercial sale may suffer if the government and third-party payors fail to provide adequate coverage and reimbursement. In

addition, an increasing emphasis on managed care in the United States has increased and will continue to increase the pressure on pharmaceutical pricing.

Another development that may affect the pricing of drugs is proposed Congressional action regarding drug reimportation into the United States. Proposed legislation would allow the reimportation of approved drugs originally manufactured in the United States back into the United States from other countries where the drugs are sold at a lower price. If such legislation or similar regulatory changes were enacted, they could reduce the price we receive for any approved products, which, in turn, could adversely affect our revenues. Even without legislation authorizing reimportation, patients have been purchasing prescription drugs from Canadian and other non-United States sources, which has reduced the price received by pharmaceutical companies for their products.

Different pricing and reimbursement schemes exist in other countries. In the European Community, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of such products to consumers. The approach taken varies from member state to member state. Some jurisdictions permit products to be marketed only after a reimbursement price has been agreed. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits.

In Japan, the National Health Ministry biannually reviews the pharmaceutical prices of individual products. In the past, these reviews have resulted in price reductions. In the 2004 biannual review, the Japanese government reduced the overall drug reimbursement rates. We expect a similar price review in 2006, in line with the government's previously announced plan for controlling health care costs. It is not possible to predict the outcome of this review, and it is possible that Japanese authorities will again reduce drug reimbursement rates, which could adversely affect the reimbursement levels for our products or product candidates.

Facilities

Our principal facilities consist of approximately 12,766 square feet of office space located in Bethesda, Maryland. We occupy 11,166 square feet of this space under a lease that expires in November 2009 and 1,600 square feet of this space under a sublease that expires in December 2010. We also rent space under short-term leases in London, England and Osaka, Japan.

Employees

As of May 31, 2006, we had 35 full-time employees, including 11 with doctoral or other advanced degrees. Of our workforce, 13 employees are engaged in research and development, seven are engaged in marketing and sales, and 15 are engaged in business development, legal, finance and administration. None of our employees is represented by labor unions or covered by collective bargaining agreements. We consider our relationship with our employees to be good.

As of May 31, 2006, Sucampo Europe and Sucampo Japan each had one full-time employee.

Legal Proceedings

We are not currently a party to any material legal proceedings.

MANAGEMENT

Our executive officers and directors, and their ages as of May 31, 2006, are as follows:

Name	Age	Position
Sachiko Kuno, Ph.D.	51	President, Chief Executive Officer and Director
Ryuji Ueno, M.D., Ph.D., Ph.D.	52	Chief Scientific Officer, Chief Operating Officer and Chairman of the Board of Directors
Mariam E. Morris	38	Chief Financial Officer and Treasurer
Brad E. Fackler	52	Executive Vice President of Commercial Operations
Gayle R. Dolecek	63	Senior Vice President of Research and Development
Kei S. Tolliver	32	Vice President of Business Development and Company Operations and Secretary
Charles S. Hrushka	54	Vice President of Marketing
Michael J. Jeffries(1)(2)(3)	63	Director
Hidetoshi Mine(1)(2)(3)	55	Director
Gregory D. Perry(1)(2)(3)	45	Director

(1) Member of Audit Committee.
(2) Member of Compensation Committee.
(3) Member of Nominating and Corporate Governance Committee.

Sachiko Kuno, Ph.D. Dr. Kuno is a founder of our company and has been our President and Chief Executive Officer since July 2004. Dr. Kuno also served as founding Chief Executive Officer from December 1996 to November 2000. She has been a director since December 1996. Dr. Kuno has been a co-owner of our affiliate R-Tech since 1992 and served as its President and Chief Executive Officer from March 2003 to May 2004. Dr. Kuno also co-founded Sucampo AG together with Dr. Ueno in April 1998. In addition, Dr. Kuno served as head of clinical development for RESCULA and oversaw the drug's development and marketing approval in Japan for the treatment of glaucoma. Dr. Kuno received her Bachelors degree in Biochemistry and her Masters degree and Ph.D. in Industrial Biochemistry from Kyoto University. Dr. Kuno is married to Dr. Ueno.

Ryuji Ueno, M.D., Ph.D., Ph.D. Dr. Ueno is a founder of our company and has been our Chief Scientific Officer since August 2004 and our Chief Operating Officer since March 2006. Dr. Ueno also served as Chief Operating Officer from December 1996 to November 2000 and Chief Executive Officer from December 2000 to September 2003. Dr. Ueno has been a director since 1996 and Chairman of our Board of Directors since December 2000. Dr. Ueno co-founded our affiliate R-Tech in September 1989 and served as its President from 1989 to March 2003. Dr. Ueno also co-founded Sucampo AG in April 1998 and served as its President from October 2003 to May 2004. Dr. Ueno received his M.D. and a Ph.D. in medical chemistry from Keio University in Japan, and he received a Ph.D. in Pharmacology from Osaka University. Dr. Ueno is married to Dr. Kuno.

Mariam E. Morris. Ms. Morris has been our Chief Financial Officer and Treasurer since March 2006. From February 2004 to March 2006, Ms. Morris served as our Director of Finance. From January 2003 to February 2004, she worked as an independent consultant for AuditWatch, Inc., a training and consultancy firm for the audit profession. Ms. Morris was a supervising auditor with the public accounting firm of Snyder, Cohn, Collyer, Hamilton & Associates, P.C. from November 2001 to December 2002. Ms. Morris also was a senior auditor with the public accounting firm of PricewaterhouseCoopers LLP from September 2000 to October 2001. Ms. Morris is a certified public accountant and holds a B.B.A. degree in Accounting from Texas Tech University and a Master's degree in Taxation from Old Dominion University.

Brad E. Fackler. Mr. Fackler has been our Executive Vice President of Commercial Operations since September 2005. From January 2005 to September 2005, Mr. Fackler was Vice President of The Collaborative Group, a specialty consultancy firm servicing the pharmaceutical industry. From September 2004 until January 2005, he was self-employed. From 1978 to September 2004, Mr. Fackler was a senior sales executive for

Novartis Pharmaceuticals Corporation. Mr. Fackler holds a Bachelors degree in Life Science from Otterbein College and an M.B.A. degree from New York University, Leonard Stern School of Business.

Gayle R. Dolecek. Dr. Dolecek has been our Senior Vice President of Research and Development since May 2006. From August 1995 to April 2006, he was a Senior Consultant at AAC Consulting Group, Inc., a provider of regulatory consulting services to the pharmaceutical industry. Prior to 1995, Dr. Dolecek was an officer with the U.S. Public Health Service where he served in pharmacy and health service related positions. He completed his career with the government in the Food and Drug Administration as Director of Compendial Operations in the Center for Drug Evaluation and Research. Dr. Dolecek received his B.S/P.D. in Pharmacy from the University of Maryland and a M.P.H. in Health Services and Planning from the University of Hawaii.

Kei S. Tolliver. Ms. Tolliver has been our Vice President of Business Development and Company Operations and Secretary since March 2006. From October 2004 to March 2006, Ms. Tolliver was our Director of Business Development. Since joining our company in May 1998, Ms. Tolliver has held a number of positions within the Sucampo group of affiliated companies, including Director of Business, Development for S&R Technology Holdings, LLC, a position she has held since May 2002, supplemental director for Sucampo AG, a position she has held since September 2004, director of Sucampo Pharma, Ltd., a position she has held since July 2004, and General Manager and director of Sucampo Pharma Europe Ltd., a position she has held since January 2003. Ms. Tolliver holds a Bachelors degree in Political Science from West Virginia University.

Charles S. Hrushka. Mr. Hrushka has been our Vice President of Marketing since June 2006. From December 2005 to June 2006, Mr. Hrushka was our Director of Marketing. In October 2004, he co-founded Burren Pharmaceuticals, Inc., a specialty pharmaceutical company focused on gastroenterology, and served as its President and Chief Operating Officer until he joined our company in December 2005. From January 2001 to September 2004, he was the Managing Director of ScheBo*Biotech USA Inc., a diagnostics company focusing on gastroenterology and oncology. Mr. Hrushka holds a Bachelors degree in Biology from Lynchburg College and an M.B.A. degree from Georgia State University, J. Mack Robinson College of Business.

Michael J. Jeffries. Mr. Jeffries has been a director since 2004. From January 1990 until his retirement in December 2005, Mr. Jeffries held various senior management positions at Osteotech, Inc., a medical technology company. These positions included Executive Vice President, a position he held from 1992 until his retirement, Chief Financial Officer, a position he held from 1990 until his retirement, and Secretary and director, positions he held from 1991 until his retirement. Mr. Jeffries received his B.B.A. degree from the City College of New York and his M.B.A. degree in Finance from Fordham University.

Hidetoshi Mine. Mr. Mine has been a director since 2004. Mr. Mine has been the President and Chief Executive Officer at OPE Partners Limited, an investment firm, since August 2004. From January 2001 to July 2004, Mr. Mine was a Managing Director of the Principal Investment Team of Orix Corporation, a financial services firm. From April 1996 to December 2000, Mr. Mine was a Managing Director and Chief Executive Officer of Tokyo-Mitsubishi International (Singapore) Ltd. From November 1999 to October 2003, Mr. Mine was a director of the Singapore Exchange. Mr. Mine holds a Bachelors degree in Sociology from Hitotsubashi University in Tokyo.

Gregory D. Perry. Mr. Perry served as Senior Vice President of Finance and Chief Financial Officer of Transkaryotic Therapies Inc., a biopharmaceutical company, from November 2004 until its acquisition by Shire Pharmaceuticals Group plc in July 2005. From May 2003, when he joined Transkaryotic, to November 2004, Mr. Perry served as Vice President, Finance, and Chief Financial Officer. From October 1998 to November 2002, Mr. Perry was employed by PerkinElmer, Inc., a provider of scientific instruments, consumables and services to the pharmaceutical, biomedical, environmental testing and general industrial markets, where he most recently served as Senior Vice President, Finance and Business Development, Life Sciences. Mr. Perry received his Bachelors degree in Economics and Political Science from Amherst College.

Board Composition

Our board of directors is currently authorized to have five members and we currently have five members. The authorized number of directors may be changed only by resolution of the board of directors. The terms of

service of each director will expire upon the election and qualification of successor directors at each annual meeting of our stockholders. Following the automatic conversion date, as described under "Description of Capital Stock — Common Stock," our directors may be removed only for cause and only by the affirmative vote of the holders of 75% or more of the combined voting power represented by our voting stock.

Upon the occurrence of any event that results in all the remaining class B common stock being automatically converted into class A common stock, or when there otherwise is no class B common stock outstanding, the board of directors will be immediately and automatically divided into three classes, class I, class II and class III, with each class serving staggered three-year terms. Class I directors will serve for a three year term beginning at the first annual meeting of stockholders following the automatic conversion date, class II directors will serve for a three year term beginning at the second annual meeting of stockholders following the automatic conversion date and class III directors will serve for a three year term beginning at the third annual meeting of stockholders following the automatic conversion date. Thereafter, upon the expiration of the term of a class of directors, directors in that class will be eligible to be elected for a new three-year term at the annual meeting of stockholders in the year in which their term expires.

All current directors have been assigned prospectively to one of the classes as follows:

- the class I director will be Mr. Jeffries;
- the class II directors will be Dr. Ueno and Mr. Mine; and
- the class III directors will be Dr. Kuno and Mr. Perry.

Each new director will likewise be assigned prospectively to a class at the time he is nominated or appointed to the board. Any additional directorships resulting from an increase in the number of directors will be distributed between the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in our control or management.

Our board of directors has reviewed, considered and discussed each director's relationships, either directly or indirectly, with our company and its subsidiaries and the compensation each director receives, directly or indirectly, from our company and its subsidiaries in order to determine whether such director meets the independence requirements of the applicable rules of the NASDAQ National Market and the applicable rules and regulations of the Securities Exchange Commission. Our board has determined that each of Messrs. Jeffries, Mine, and Perry qualify as independent under the NASDAQ and SEC rules. We refer to these directors as our independent directors. Upon the closing of this offering each of these independent directors will serve on one or more of our audit committee, compensation committee and nominating and corporate governance committees.

Except for Drs. Kuno and Ueno, there are no family relationships among any of our directors or executive officers.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. The composition of each committee will be effective upon closing of this offering.

Audit Committee

Messrs. Jeffries, Mine, and Perry will become members of our audit committee upon the closing of this offering. Our audit committee will assist our board of directors in its oversight of the integrity of our financial statements, our independent registered public accounting firm's qualifications and independence and the performance of our independent registered public accounting firm.

Upon the closing of this offering, our audit committee's responsibilities, as set forth in the written charter adopted by our board in June 2006, will include:

- appointing, approving the compensation of, and assessing the independence of our registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of certain reports from our independent registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- establishing policies and procedures for the receipt and retention of accounting related complaints and concerns;
- meeting independently with our registered public accounting firm and management; and
- preparing the audit committee report required by Securities and Exchange Commission rules.

All audit services to be provided to us and all non-audit services, other than de minimus non-audit services, to be provided to us by our independent registered public accounting firm must be approved in advance by our audit committee.

Mr. will chair the committee. Our board has determined that each member of the audit committee qualifies as an independent director under the applicable rules of the NASDAQ National Market and the applicable rules and regulations of the Securities Exchange Commission. Our board has also determined that each member of the audit committee is "financially literate" under the applicable NASDAQ rules and that both Messrs. Jeffries and Perry qualify as an "audit committee financial expert" under Securities and Exchange Commission rules by virtue of their experience described above.

Compensation Committee

Messrs. Jeffries, Mine, and Perry will become members of our compensation committee upon the closing of this offering. Mr. will chair the committee. Our board has determined that each member of our compensation committee qualifies as an independent director under the applicable NASDAQ rules. Our compensation committee will assist our board of directors in the discharge of its responsibilities relating to the compensation of our executive officers.

Upon the closing of this offering, our compensation committee's responsibilities, as set forth in the written charter adopted by the board in June 2006, will include:

- reviewing and approving, or making recommendations to our board of directors with respect to, the compensation of our chief executive officer and our other executive officers;
- overseeing and administering, and making recommendations to our board of directors with respect to, our cash and equity compensation plans;
- overseeing the evaluation of the performance of our senior executives;
- reviewing and making recommendations to the board of directors with respect to director compensation; and
- preparing the compensation committee report required by Securities and Exchange Commission rules.

Nominating and Corporate Governance Committee

Messrs. Jeffries, Mine, and Perry will become members of our nominating and corporate governance committee upon the closing of this offering. Mr. will chair the committee. Our board has determined

that each member of our nominating and corporate governance committee qualifies as an independent director under the applicable NASDAQ rules.

Upon the closing of this offering, our nominating and corporate governance committee's responsibilities will include:

- recommending to our board of directors the persons to be nominated for election as directors or to fill vacancies on the board of directors and to be appointed to each of the board of directors' committees;
- reviewing and making recommendations to our board of directors with respect to management succession planning;
- developing and recommending to our board of directors corporate governance principles and guidelines; and
- overseeing a periodic self-evaluation of our board of directors.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more of its executive officers serving as a member of our board of directors or our compensation committee. None of the members of our compensation committee has ever been our employee.

Director Compensation

In June 2006, our board of directors approved a compensation program pursuant to which we will pay each of our directors who is not an employee of, or a spouse of an employee of, our company, whom we refer to as our non-employee directors, an annual retainer of $60,000 for service as a director. Each non-employee director will also receive a fee of $1,000 for each meeting of the full board of directors or any committee of the board of directors attended by such non-employee director. We will reimburse each non-employee member of our board of directors for out-of-pocket expenses incurred in connection with attending our board and committee meetings.

Executive Compensation

The following table sets forth the total compensation paid or accrued for the fiscal year ended December 31, 2005 to our chief executive officer and each of our four most highly compensated executive officers whose salary and bonus exceeded $100,000 for the year ended December 31, 2005. We refer to these officers as our named executive officers.

Summary Compensation Table

Name and Principal Position	Annual Compensation Salary	Annual Compensation Bonus	All Other Compensation
Sachiko Kuno, Ph.D. President, Chief Executive Officer and Director	$251,538	$ 78,000	$ 558(1)
Ryuji Ueno, M.D., Ph.D., Ph.D. Chief Scientific Officer, Chief Operating Officer and Chairman of the Board of Directors	374,807	117,000	972(2)
Mariam E. Morris Chief Financial Officer and Treasurer	139,827	16,685	7,454(3)
Brad E. Fackler(4) Executive Vice President of Commercial Operations	107,500	—	—
Kei S. Tolliver Vice President of Business Development and Company Operations and Secretary	109,226	14,719	1,937(5)

(1) Represents $558 in matching contributions under our 401(k) plan.

(2) Represents $972 in matching contributions under our 401(k) plan.

(3) Represents $7,000 in matching contributions under our 401(k) plan and $454 in life insurance premiums.

(4) Brad Fackler was appointed our Vice President of Commercial Operations in September 2005.

(5) Represents $1,457 in matching contributions under our 401(k) plan and $480 in life insurance premiums.

Option Grants in Last Fiscal Year

We made no grants of stock options to our executive officers during 2005.

Aggregate Option Exercises in Last Fiscal Year and Year-End Option Values

The following table provides information about the number and value of options held by our named executive officers at December 31, 2005. There was no public trading market for our class A common stock as of December 31, 2005. Accordingly, as permitted by the rules of the Securities and Exchange Commission, we have calculated the value of unexercised in-the-money options at fiscal year-end assuming that the fair market value of our class A common stock as of December 31, 2005 was $ per share, the midpoint of the price range on the cover of this prospectus, less the aggregate exercise price.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

	Number of Securities Underlying Unexercised Options at December 31, 2005		Value of Unexercised In-the-Money Options at December 31, 2005	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Sachiko Kuno, Ph.D.	22,000	—	$	$
Ryuji Ueno, M.D., Ph.D., Ph.D.	62,000	—		
Mariam E. Morris	—	—	—	—
Brad E. Fackler	—	—	—	—
Kei S. Tolliver	—	—	—	—

Employment Agreements

Dr. Sachiko Kuno. Pursuant to an employment agreement effective June 16, 2006, we agreed to continue to employ Dr. Kuno as our Chief Executive Officer and President for a term of three years. This agreement renews automatically each year for a period of one year unless earlier terminated by Dr. Kuno or us. Under this agreement, Dr. Kuno is entitled to receive an annual base salary of $380,000, to be reviewed annually by our compensation committee and our board of directors and increased, but not decreased unless agreed by Dr. Kuno and us. Dr. Kuno is also eligible for an annual bonus of up to 50% of her base salary as determined by our independent directors based on the compensation committee's assessment of Dr. Kuno's achievement of annual corporate objectives. In addition, Dr. Kuno is entitled to receive, at the discretion of our compensation committee, restricted stock grants, options to purchase shares of our class A common stock and other awards pursuant to our 2006 stock incentive plan once Dr. Kuno and Dr. Ueno own collectively less than 50% of our total equity, and also is eligible to participate in all employee benefit plans offered to other employees. In the event of a merger or sale of our company or the death of Dr. Kuno, all restricted stock and stock options issued to Dr. Kuno shall immediately vest. Upon termination or non-renewal by us of Dr. Kuno's employment other than for cause or upon termination by Dr. Kuno for specified good reasons, including diminution of authority and duties, Dr. Kuno will be entitled to receive a lump sum severance payment equal to 24 months of current base salary and to continue to receive full employment benefits for a period of 18 months after termination. If Dr. Kuno is terminated other than for cause within 18 months of a change of control of our company, she will be entitled to receive a lump sum severance payment equal to 48 months of current base salary. Under this agreement, Dr. Kuno has assigned to us all inventions conceived or reduced to practice during the term of her employment that make use of confidential information or trade secrets or which relate to our actual or anticipated research and development.

Dr. Ryuji Ueno. Pursuant to an employment agreement effective June 16, 2006, we agreed to continue to employ Dr. Ueno as our Chief Operating Officer and Chief Scientific Officer for a term of three years. This agreement renews automatically each year for a period of one year unless earlier terminated by Dr. Ueno or us. Under this agreement, Dr. Ueno is entitled to receive an annual base salary of $450,000, to be reviewed annually by our compensation committee and our board of directors and increased, but not decreased unless agreed by Dr. Ueno and us. Dr. Ueno is also eligible for an annual bonus of up to 50% of his base salary as determined by our independent directors based on the compensation committee's assessment of Dr. Ueno's achievement of annual corporate objectives. In addition, Dr. Ueno is entitled to receive, at the discretion of our compensation committee, restricted stock grants, options to purchase shares of our class A common stock and

other awards pursuant to our 2006 stock incentive plan once Dr. Ueno and Dr. Kuno own collectively less than 50% of our total equity, and also is eligible to participate in all employee benefit plans offered to other employees. In the event of a merger or sale of our company or the death of Dr. Ueno, all restricted stock and stock options issued to Dr. Ueno shall immediately vest. Upon termination or non-renewal by us of Dr. Ueno's employment other than for cause or upon termination by Dr. Ueno for specified good reasons, including diminution of authority and duties, Dr. Ueno will be entitled to receive a lump sum severance payment equal to 24 months of current base salary and to continue to receive full employment benefits for a period of 18 months after termination. If Dr. Ueno is terminated other than for cause within 18 months of a change of control of our company, Dr. Ueno will be entitled to receive a lump sum severance payment equal to 48 months of current base salary. Under this agreement, Dr. Ueno has assigned to us all inventions conceived or reduced to practice during the term of his employment that make use of confidential information or trade secrets or which relate to our actual or anticipated research and development.

Other Executive Employment Agreements. We also have entered into employment agreements with certain of our executive officers. Under an employment agreement with Mariam E. Morris, effective June 16, 2006, we agreed to employ Ms. Morris as our Chief Financial Officer and Treasurer at an annual base salary of $160,000. Under an employment agreement with Brad E. Fackler, effective June 16, 2006, we agreed to employ Mr. Fackler as our Executive Vice President of Commercial Operations at an annual base salary of $220,000. Under an employment agreement with Gayle R. Dolecek, effective June 16, 2006, we agreed to employ Dr. Dolecek as our Senior Vice President of Research and Development at an annual base salary of $135,000. Under an employment agreement with Kei S. Tolliver, effective June 16, 2006, we agreed to employ Ms. Tolliver as our Vice President of Business Development and Company Operations and Secretary at an annual base salary of $112,832. Under an employment agreement with Charles S. Hrushka, effective June 16, 2006, we agreed to employ Mr. Hrushka as our Vice President of Marketing at an annual base salary of $165,000.

Each of these agreements has a term of two years, and renews automatically each year for a period of one year unless earlier terminated by the executive or us. Annual salaries under the agreements are to be reviewed annually by our compensation committee and our board of directors and increased, but not decreased unless agreed by the executive and us. Pursuant to these agreements, each executive is also eligible for an annual bonus as determined by our compensation committee based on his or her contribution to our company's success. The agreements also provide for eligibility to receive, at the discretion of our compensation committee, restricted stock grants, options to purchase shares of our class A common stock and other awards pursuant to our 2006 stock incentive plan, and eligibility to participate in all employee benefit plans offered to other employees. In the event of a merger or sale of our company or the death of the executive, all restricted stock and stock options issued to the executive shall immediately vest. Upon termination or non-renewal by us of employment other than for cause or upon termination by the executive for specified good reasons, including diminution of authority and duties, the executive will be entitled to receive a lump sum severance payment equal to two months of current base salary and to continue to receive full employment benefits for a period of two months after termination. If the executive is terminated other than for cause within 18 months of a change of control of our company, he or she will be entitled to receive a lump sum severance payment equal to four months of current base salary. Under these agreements, each executive has assigned to us all inventions conceived or reduced to practice during the term of his or her employment that make use of confidential information or trade secrets or which relate to our actual or anticipated research and development.

Stock Option and Other Compensation Plans

2001 Stock Incentive Plan

Our 2001 stock incentive plan, as amended and restated from time to time, was initially adopted by our board of directors and approved by our stockholders in February 2001. The plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock and other stock-based awards. A maximum of 1,000,000 shares of class A common stock are authorized for issuance under our 2001 plan.

As of May 31, 2006, there were options to purchase 253,600 shares of class A common stock outstanding under the 2001 plan and options to purchase 1,000 shares of class A common stock had been exercised. After the effective date of the 2006 stock plan described below, we will make no further stock option or other equity grants under the 2001 plan.

In accordance with the terms of the 2001 plan, our board of directors has authorized a committee of our board to administer the plan. In accordance with the provisions of the plan, our board or such committee will select the recipients of awards and determine:

- the number of shares of class A common stock covered by options and the dates upon which the options become exercisable;
- the exercise price of options;
- the duration of options;
- the method of payment of the exercise price; and
- the number of shares of class A common stock subject to any restricted stock or other stock-based awards and the terms and conditions of such awards, including conditions for repurchase, issue price and repurchase price.

In addition, our board of directors or any committee to which the board of directors delegates authority may, with the consent of the affected plan participants, amend outstanding awards.

Except as our board of directors or any committee to which the board of directors delegates authority may otherwise determine or provide in an award, awards shall not be transferred by the person to whom they are granted, except by the laws of descent and distribution, except that our board or such committee may authorize a participant to transfer options, other than incentive stock options, or designate a beneficiary to exercise the rights of the participant on the death of the participant. Each award shall be exercisable during the life of the participant only by the participant or by the participant's legal representative, if permissible under applicable law.

Upon a merger or other reorganization event, our board of directors or any committee to which the board of directors delegates authority, may adjust the 2001 plan and any outstanding options to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the plan as either our board or the committee deems equitable. Such adjustments may include, where appropriate, changes in the number and type of shares subject to the plan and the number and type of shares subject to outstanding awards.

2006 Stock Incentive Plan

Our 2006 stock incentive plan was adopted by our board of directors on June 5, 2006 and approved by our stockholders on , 2006. The 2006 plan will become effective on the date that the registration statement of which this prospectus forms a part is declared effective. The 2006 plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock, stock appreciation rights, restricted stock units and other stock-based awards. Upon effectiveness, 1,000,000 shares of class A common stock will be reserved for issuance under the 2006 plan.

In addition, the 2006 plan contains an "evergreen provision" which allows for an annual increase in the number of shares available for issuance under the plan on the first day of each of our fiscal years during the period beginning in fiscal year 2006 and ending on the second day of fiscal year 2014. The annual increase in the number of shares shall be equal to the lower of:

- 5% of the number of shares of class A and class B common stock outstanding on the first day of the fiscal year; and
- an amount determined by our board of directors.

In accordance with the terms of the 2006 plan, our board of directors has authorized our compensation committee to administer the plan. In accordance with the provisions of the plan, our compensation committee will select the recipients of awards and determine:

- the number of shares of class A common stock covered by options and the dates upon which the options become exercisable;
- the exercise price of options;
- the duration of options;
- the method of payment of the exercise price; and
- the number of shares of class A common stock subject to any restricted stock or other stock-based awards and the terms and conditions of such awards, including conditions for repurchase, issue price and repurchase price.

In addition, our board of directors or any committee to which the board of directors delegates authority may, with the consent of the affected plan participants, amend outstanding awards.

The maximum number of shares of class A common stock with respect to which awards may be granted to any participant under the plan during any calendar year is 500,000 shares.

The maximum term of an option may not exceed ten years. Except as our board of directors or any committee to which the board of directors delegates authority may otherwise determine or provide in an award, awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order, and, during the life of the participant, shall be exercisable only by the participant.

Upon a merger or other reorganization event, our board of directors or any committee to which the board of directors delegates authority, may, in its sole discretion, take any one or more of the following actions pursuant to our 2006 plan, as to some or all outstanding awards:

- provide that all outstanding awards shall be assumed or substituted by the successor corporation;
- upon written notice to a participant, provide that the participant's unexercised options or awards will become exercisable in full and will terminate immediately prior to the consummation of such transaction unless exercised by the participant;
- provide that outstanding awards will become realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon the reorganization event;
- in the event of a merger pursuant to which holders of our class A common stock will receive a cash payment for each share surrendered in the merger, make or provide for a cash payment to the participants equal to the difference between the merger price times the number of shares of our class A common stock subject to such outstanding awards (to the extent then exercisable at prices not in excess of the merger price), and the aggregate exercise price of all such outstanding awards, in exchange for the termination of such awards; and
- provide that, in connection with a liquidation or dissolution, awards convert into the right to receive liquidation proceeds.

Upon the occurrence of a reorganization event other than a liquidation or dissolution, the repurchase and other rights under each outstanding restricted stock award will continue for the benefit of the successor company and will apply to the cash, securities or other property into which our common stock is converted pursuant to the reorganization event. Upon the occurrence of a reorganization event involving a liquidation or dissolution, all conditions on each outstanding restricted stock award will automatically be deemed terminated or satisfied, unless otherwise provided in the agreement evidencing the restricted stock award.

2006 Employee Stock Purchase Plan

Our 2006 employee stock purchase plan was adopted by our board of directors on June 5, 2006 and approved by our stockholders on , 2006. The purchase plan will become effective on the date that the registration statement of which this prospectus forms a part is declared effective. Upon effectiveness, 500,000 shares of class A common stock will be reserved for issuance to participating employees under the purchase plan.

All of our employees, including our directors who are employees and all employees of any of our participating subsidiaries, who have been employed by us for at least three months prior to enrolling in the purchase plan, and whose customary employment is for more than 20 hours a week and for more than five months in any calendar year, will be eligible to participate in the purchase plan. Employees who would, immediately after being granted an option to purchase shares under the purchase plan, own 5% or more of the total combined voting power or value of our common stock will not be eligible to participate in the purchase plan.

We will make one or more offerings to our employees to purchase stock under the purchase plan. Offerings will begin on each January 1, April 1, July 1 and October 1, or the first business day thereafter, commencing October 1, 2007. Each offering commencement date will begin a three-month period during which payroll deductions will be made and held for the purchase of the common stock at the end of the purchase plan period.

On the first day of a designated payroll deduction period, or offering period, we will grant to each eligible employee who has elected to participate in the purchase plan an option to purchase shares of our common stock. The employee may authorize up to the lesser of (a) 10% of his or her compensation and (b) $6,250 to be deducted by us during the offering period. On the last day of the offering period, the employee will be deemed to have exercised the option, at the option exercise price, to the extent of accumulated payroll deductions. Under the terms of the purchase plan, the option exercise price shall be determined by our board of directors and shall not be less than the lower of 85% of the closing price, as defined in the purchase plan, of our class A common stock on the first day of the offering period or on the last day of the offering period. The plan establishes a default price of 95% of the closing price of our class A common stock on the last day of the offering period, but the board of directors may establish a larger discount, subject to the limits in the previous sentence. If the board of directors did elect to provide a larger discount, we would likely incur accounting charges.

Upon a merger or other reorganization event, our board of directors or any committee to which the board of directors delegates authority, may, in its sole discretion, take any one or more of the following actions pursuant to our purchase plan, as to some or all outstanding options to purchase stock:

- provide that all outstanding options shall be assumed or substituted by the successor corporation;
- upon written notice to a participating employee, provide that the employee's unexercised options will become exercisable to the extent of accumulated payroll deductions as of a date at least ten days before the consummation of such transaction, and will terminate as of the effective date of such transaction unless exercised by the employee;
- upon written notice to a participating employee, provide that the employee's unexercised options will be cancelled prior to the consummation of such transaction and that all accumulated payroll deductions will be returned to the employee;
- in the event of a merger pursuant to which holders of our class A common stock will receive a cash payment for each share surrendered in the merger, make or provide for a cash payment to the participating employees equal to the difference between the merger price times the number of shares of our class A common stock subject to such outstanding options (to the extent then exercisable at prices not in excess of the merger price), and the aggregate exercise price of all such outstanding options, in exchange for the termination of such options; and

• provide that, in connection with a liquidation or dissolution, options convert into the right to receive liquidation proceeds.

An employee who is not a participant on the last day of the offering period will not be entitled to exercise any option, and the employee's accumulated payroll deductions will be refunded. An employee's rights under the purchase plan will terminate upon voluntary withdrawal from the purchase plan at any time, or when the employee ceases employment for any reason, except that upon termination of employment because of death, the balance in the employee's account will be paid to the employee's beneficiary.

Limitation of Liability and Indemnification of Officers and Directors

Our certificate of incorporation that will be in effect upon completion of this offering limits the personal liability of directors for breach of fiduciary duty to the maximum extent permitted by the Delaware General Corporation Law. Our certificate of incorporation provides that no director will have personal liability to us or to our stockholders for monetary damages for breach of fiduciary duty or other duty as a director. However, these provisions do not eliminate or limit the liability of any of our directors:

• for any breach of their duty of loyalty to us or our stockholders;

• for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

• for voting or assenting to unlawful payments of dividends or other distributions; or

• for any transaction from which the director derived an improper personal benefit.

Any amendment to or repeal of these provisions will not eliminate or reduce the effect of these provisions in respect of any act or failure to act, or any cause of action, suit or claim that would accrue or arise prior to any amendment or repeal or adoption of an inconsistent provision. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, our certificate of incorporation provides that we must indemnify our directors and officers and we must advance expenses, including attorneys' fees, to our directors and officers in connection with legal proceedings, subject to very limited exceptions.

There is no pending litigation or proceeding involving any of our directors or executive officers to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since January 1, 2003, we have engaged in the following transactions with our directors, executive officers and holders of more than 5% of our voting securities and their affiliates.

Stock Issuances and Transfers

From March 31, 2006 through April 12, 2006, we issued and sold 282,207 shares of our class A common stock at a price per share of $85.00 for an aggregate purchase price of $24.0 million. The following table sets forth the number of shares of our class A common stock sold to our 5% stockholders and their affiliates in these transactions.

Name	Number of Shares of Class A Common Stock	Aggregate Purchase Price
OPE Partners Limited	70,588	$ 5,999,980
Tokio Marine and Nichido Fire Insurance Co., Ltd.	100,000	8,500,000
Mizuho Capital Co., Ltd.	35,295	3,000,075

On March 31, 2006, R-Tech Ueno, Ltd., or R-Tech, one of our principal stockholders and a company a majority of the stock of which is owned, directly and indirectly, by our founders Drs. Ueno and Kuno, sold a total of 134,100 shares of our class A common stock to three investors at a price per share of $85.00 for an aggregate purchase price of $11,398,500. Included in these sales were 70,588 shares of our class A common stock sold to OPE Partners Limited for an aggregate purchase price of $5,999,980.

Mr. Hidetoshi Mine, one of our directors, is the Managing Director of Principal Investment at OPE Partners Limited.

Tokio Marine and Nichido Fire Insurance Co., Ltd. did not have a relationship with our company prior to its purchase of shares on March 31, 2006.

In connection with the issuance and transfer of the above described shares, we granted registration rights to the investors, made representations and warranties to them and waived rights of first refusal we had with respect to the shares transferred by R-Tech. For a more detailed description of the registration rights we have granted, see “Description of Capital Stock — Registration Rights”.

Sucampo Group Reorganization

On May 12, 2006, our board of directors approved a transaction to acquire all of the capital stock of our affiliated European and Asian operating companies, Sucampo Pharma Europe Ltd., or Sucampo Europe, and Sucampo Pharma, Ltd., or Sucampo Japan. Each of Sucampo Europe and Sucampo Japan is wholly owned, indirectly, by Drs. Ueno and Kuno. This transaction has not yet closed, but will be completed prior to the closing of this offering. Prior to the completion of this reorganization, we were conducting our operations as one of three related operating companies, each focused on developing and commercializing prostones licensed from Sucampo AG in separate territories.

In anticipation of this offering, our board approved the reorganization, which will involve:

- the issuance of 211,765 additional shares of our class A common stock to S&R Technology Holdings, LLC, an entity wholly owned by Drs. Ueno and Kuno and the sole stockholder of Sucampo Europe and Sucampo Japan, in exchange for the shares of these two companies, following which these two companies will be wholly owned subsidiaries of our company;
- the amendment of our license with Sucampo AG, as described more fully below, to provide that our company, together with its new wholly owned subsidiaries, has exclusive worldwide license rights to commercialize and develop AMITIZA, SPI-8811 and SPI-017 and all other prostone compounds covered by patents and patent applications held by Sucampo AG; and

- the transfer of personnel of Sucampo AG who perform research in the field of prostones to Sucampo Japan, the company that will be our Asian subsidiary following completion of the reorganization, and the assumption by us of the filing and maintenance costs relating to the patent portfolio licensed by us from Sucampo AG.

This reorganization is subject to the satisfaction of a number of conditions and may be terminated by the parties in specified circumstances. However, this offering will not be closed unless the reorganization has been consummated.

License Agreements with Sucampo AG

We have entered into several transactions with Sucampo AG. Sucampo AG is wholly owned by Drs. Ueno and Kuno.

SPI-8811 License

In November 2000, we entered into a license agreement with Sucampo AG which granted to us a royalty-bearing, exclusive license, with the right to sublicense, to develop and commercialize various prostone compounds, including SPI-8811, and accompanying know-how in North and South America. In consideration of the license, we were required to make an upfront payment of $250,000 to Sucampo AG in respect of SPI-8811 and a specified milestone payment upon the first NDA submission for this compound. Similar upfront and milestone payments were required for other compounds included in the license. In addition, we were required to pay Sucampo AG, on a country-by-country basis, a royalty of 6.5% of net sales for compounds covered by unexpired patents, or 3% of net sales for compounds not covered by unexpired patents. This royalty obligation was to continue until all patents covering compounds included in the license had expired or until ten years from the first commercial sale of a licensed product within the relevant country, whichever was later. Under the terms of the agreement, Sucampo AG was granted the right to utilize any know-how relating to licensed compounds developed by us during the term of the agreement. In addition, upon termination of the agreement for any reason, Sucampo AG was granted the right to purchase any regulatory approvals obtained by us for a licensed compound at fair market value.

Sucampo AG License

In February 2004, together with Sucampo Europe and Sucampo Japan, we entered into a license agreement with Sucampo AG. The agreement granted to each company, within its respective territory, a royalty-bearing, exclusive license, with the right to sub-license, to develop and commercialize Sucampo AG's patent portfolio and accompanying know-how as it existed on September 1, 2003. Pursuant to this agreement, we were granted the right to develop and commercialize Sucampo AG's technology in North, Central and South America, including the Caribbean, while Sucampo Europe and Sucampo Japan were granted rights to develop and commercialize this technology in Asia, Europe and the rest of the world. Under the agreement, each company was obligated to assign to Sucampo AG any improvement patents that it developed from the licensed technology, which Sucampo AG would in turn license back to all three companies. The agreement also granted to each company an exclusive option to license all other future patents developed or acquired by Sucampo AG. In consideration of the license, each company was required to make specified milestone payments to Sucampo AG and pay Sucampo AG, on a country-by-country basis, a royalty of 6.5% of net sales. The agreement also provided for the sharing of certain regulatory information related to licensed technology between the three licensees and the payment of specified royalties in connection with shared information.

In January 2006, we paid Sucampo AG $250,000 upon receipt of marketing approval from the FDA for AMITIZA for the treatment of chronic idiopathic constipation in adults.

AMITIZA License

In October 2004, we entered into a license agreement with Sucampo AG which granted to us a royalty-bearing, exclusive license, with the right to sublicense, to develop and commercialize AMITIZA and accompanying know-how in North, Central and South America, including the Caribbean. Under the agreement,

we were obligated to assign to Sucampo AG any improvement patents that we developed from AMITIZA, which Sucampo AG would in turn license back to us. In consideration of the license, we were required to make milestone payments to Sucampo AG upon obtaining marketing approval in the United States for each new indication for AMITIZA and were required to pay Sucampo AG 5% of any up-front or milestone payments that we in turn received from our sublicensees. We also were required to pay Sucampo AG, on a country-by-country basis, a royalty of 3.2% of net sales.

In October 2004, we sublicensed AMITIZA and accompanying know-how to Takeda Pharmaceutical Company Limited, or Takeda, for marketing in the United States and Canada for the treatment of gastrointestinal indications, and received $20.0 million in up-front payments. At that time, we paid Sucampo AG $1.0 million, reflecting their 5% share of the up-front payment. Since October 2004, we also have paid Sucampo AG an aggregate of $2.8 million, reflecting their 5% share of the aggregate of $50.0 million of development milestones that we have received from Takeda through March 31, 2006 and the $250,000 that we received from Takeda upon marketing approval for AMITIZA by the FDA for the treatment of chronic idiopathic constipation in adults.

SPI-017 License

In April 2005, we entered into a letter of intent with Sucampo AG to license SPI-017 for development and commercialization in North, Central and South America, including the Caribbean. Upon signing the letter of intent, we paid Sucampo AG a $400,000 non-refundable up-front payment.

In February 2006, we entered into a definitive license agreement with Sucampo AG with respect to SPI-017. Under this agreement, Sucampo AG granted to us a royalty-bearing, exclusive license, with the right to sublicense, to develop and commercialize SPI-017 and accompanying know-how in North, Central and South America, including the Caribbean. Sucampo AG also granted to us an exclusive option until February 2008 to license SPI-017 for development and commercialization outside of this territory. Pursuant to the agreement, we were obligated to assign to Sucampo AG any improvement patents that we developed from this compound, which Sucampo AG would in turn license back to us. In consideration of the license, we made an upfront payment of $1.1 million to Sucampo AG. In addition, under the terms of the agreement, we were required to make specified milestone payments to Sucampo AG, or, in the event that we sublicensed any of our rights under the agreement to a third party, to pay Sucampo AG 5% of any up-front or milestone payments that we in turn received from our sublicensees. We also were required to pay Sucampo AG, on a country-by-country basis, a royalty of 6.5% of net sales.

Restated Sucampo AG License

We, together with Sucampo Europe and Sucampo Japan, have entered into a restated license agreement with Sucampo AG, which will become effective immediately prior to the closing of this offering. This agreement supersedes all previous license and data sharing arrangements between the parties and functions as a master license agreement with respect to Sucampo AG's prostone technology. Under the agreement, Sucampo AG has granted to us and our wholly owned subsidiaries a royalty-bearing, exclusive, worldwide license, with the right to sublicense, to develop and commercialize AMITIZA, SPI-8811 and SPI-017 and all other prostone compounds covered by patents and patent applications held by Sucampo AG. For additional information regarding our restated license agreement with Sucampo AG, see "Business — License from Sucampo AG".

Manufacturing Agreement with R-Tech Ueno, Ltd.

In June 2004, we entered into a 20-year exclusive supply agreement with R-Tech. Under this agreement we granted to R-Tech the exclusive right to manufacture and supply AMITIZA to meet our commercial and clinical requirements in North, Central and South America, including the Caribbean. In consideration of these exclusive rights, R-Tech has paid to us an aggregate of $6.0 million in milestone payments as of March 31, 2006.

In June 2005, Sucampo Europe entered into an exclusive supply agreement with R-Tech on terms substantially similar to those described above to manufacture and supply AMITIZA to meet Sucampo Europe's

commercial and clinical requirements in Europe, the Middle East and Africa. In consideration of these exclusive rights, R-Tech paid to Sucampo Europe a $2.0 million up-front payment in March 2005 in anticipation of execution of the agreement.

We, Sucampo Europe and Sucampo Japan have each entered into new or restated supply agreements with R-Tech, which will become effective immediately prior to the closing of this offering. These agreements grant to R-Tech the exclusive right to manufacture and supply each company's commercial and clinical requirements for AMITIZA and clinical requirements for SPI-8811 and SPI-017. For additional information regarding our supply agreements with R-Tech, see "Business — Manufacturing".

Loans from Related Parties

In October 2000, we entered into a note agreement with R-Tech pursuant to which we borrowed $1.3 million. The rate of interest charged on the note was two percentage points per annum on the outstanding principal balance. Principal and interest were due in eight semi-annual installments of $158,275 each, commencing on April 1, 2001. We repaid the note in full on December 31, 2004.

In August 2003, Sucampo Japan entered into a note agreement with Sucampo AG pursuant to which Sucampo Japan borrowed $2.8 million. The rate of interest on the note originally was 1% in excess of the six-month Tokyo Interbank Offered Rate (TIBOR) per annum on the outstanding principal balance. Principal and interest were due within six months from the date of the agreement; however, the maturity date on the note was to be extended automatically for an additional six-month period, up to two years. In August 2005, Sucampo Japan executed an addendum to the note agreement that extended the term of the note until July 31, 2007. The rate of interest charged on the note also was amended and is now equal to the minimum rate of interest permitted by the Swiss Federal Tax Administration per annum on the outstanding principal balance. As of March 31, 2006, approximately $2.5 million remained outstanding on the note.

In February and March 2004, S&R Technology Holdings, LLC entered into two separate subscription agreements to purchase three-year convertible bonds issued by Sucampo Japan with an aggregate face value of $1.1 million. Interest on the bonds was payable by Sucampo Japan every six months at a rate of 0.5% per annum, the market rate of interest in Japan. The bonds were convertible into common stock of Sucampo Japan at a specified conversion price per bond. Sucampo Japan repaid the bonds in full by December 2005 and all conversion rights were cancelled.

In May 2004, Sucampo Europe entered into a three-year loan facility agreement with S&R Technology Holdings, LLC pursuant to which Sucampo Europe borrowed $600,000 in May 2004 and $600,000 in July 2004. The rate of interest on the facility was Euro LIBOR plus 0.5% per annum. Principal and interest were repayable at any time during the three-year term of the facility, and the note was repaid in full in December 2005.

In July 2004, Sucampo Europe entered into a note agreement with Sucampo AG pursuant to which Sucampo Europe borrowed $843,414. The rate of interest on the note was equal to the minimum rate of interest permitted by the Swiss Federal Tax Administration per annum on the outstanding principal balance. Principal and interest were due within six months from the date of the agreement; however, the maturity date on the note was to be extended automatically for an additional six-month period, up to two years. As of March 31, 2006, the note had been extended to July 1, 2006 and approximately $850,000 remained outstanding on the note.

In February 2006, Sucampo Europe entered into a note agreement with Sucampo AG pursuant to which Sucampo Europe borrowed $1.2 million. The rate of interest on the note was equal to the minimum rate of interest permitted by the Swiss Federal Tax Administration per annum on the outstanding principal balance. Principal and interest were due within six months from the date of the agreement; however, the maturity date on the note was to be extended automatically for an additional six-month period, up to two years. As of March 31, 2006, the note had been extended to July 1, 2007 and approximately $1.2 million remained outstanding on the note.

Data Purchase Agreements

In March 2003, we entered into a data purchase agreement with Sucampo Japan whereby we exchanged data related to our Phase II clinical trials of AMITIZA for the treatment of irritable bowel syndrome with constipation for all non-clinical data owned by Sucampo Japan relating to AMITIZA and SPI-8811. In consideration for this exchange, we agreed to pay Sucampo Japan an aggregate of $2.3 million in installment payments. Sucampo Japan in turn agreed to pay us the greater of $1.0 million or 20% of the cost of conducting Phase II trials of AMITIZA for the treatment of irritable bowel syndrome with constipation on the earlier to occur of March 31, 2003 or commencement of the clinical trials. In addition, Sucampo Japan agreed to pay us 1.0% of future net sales of AMITIZA in Asia for the treatment of irritable bowel syndrome with constipation. During the first quarter of 2006, we paid Sucampo Japan the final installment of the $2.3 million purchase price for its data. In 2003, Sucampo Japan paid us $1.0 million for our data. AMITIZA has not been commercialized in Asia, and no royalties have been paid to us in respect of the product's sale in this territory.

In April 2003, we entered into a data purchase agreement with Sucampo Japan whereby we purchased all clinical and non-clinical data owned by Sucampo Japan relating to RUG-015, a prostone compound that we are no longer developing. In consideration for this data, we agreed to pay Sucampo Japan an aggregate of $1.0 million in installment payments. In addition, we and Sucampo Japan agreed to share the costs of, and any data resulting from, the development of RUG-15 in the United States and entered into a joint development agreement in July 2003 to further clarify our rights and responsibilities in this regard. In January 2004, we paid Sucampo Japan the final installment of the $1.0 million purchase price for the company's data. In March 2005, we determined to discontinue any further research and development related to RUG-015 and received no further cost reimbursements from Sucampo Japan in respect of this compound.

Research and Consulting Agreements

In September 2002, we entered into a consulting agreement with R-Tech whereby R-Tech agreed to provide us with business advisory services for a specified quarterly fee. We paid an aggregate of $480,000 in consulting fees to R-Tech under this agreement. The agreement was terminated in March 2004.

In October 2002, Sucampo Japan entered into a services agreement with R-Tech whereby Sucampo Japan agreed to perform marketing, regulatory and intellectual property support services for R-Tech relating to RESCULA for a specified monthly fee. Sucampo Japan received an aggregate of $2.8 million in fees from R-Tech under this agreement. The agreement was terminated in August 2003.

In January 2003, Sucampo Japan entered into a services agreement with Sucampo AG whereby Sucampo Japan agreed to perform patent and trademark maintenance services for Sucampo AG for a specified monthly fee. Sucampo Japan received an aggregate of $104,000 in fees from Sucampo AG under this agreement. The agreement was terminated in August 2003.

In September 2003, we entered into a research agreement with Sucampo AG whereby we agreed to perform pharmaceutical research services for Sucampo AG for a specified monthly fee. Under the terms of the agreement, all research and inventions conceived by Dr. Ueno during the term of the agreement were to be owned by Sucampo AG. We received an aggregate of $324,000 in fees from Sucampo AG under this agreement in 2004. The agreement was terminated in August 2004.

In April 2005, we entered into a consulting agreement with Sucampo AG whereby Sucampo AG agreed to provide us with intellectual property advisory services for a specified monthly fee. As of March 31, 2006, we had paid an aggregate of $60,000 in consulting fees to Sucampo AG under this agreement.

Agency Agreements with Sucampo Europe and Sucampo Japan

In October 2004, we entered into an agency agreement with Sucampo Europe to negotiate on Sucampo Europe's behalf with Takeda for rights to jointly develop and commercialize AMITIZA for gastrointestinal indications in Europe, the Middle East and Africa. In consideration for our services, Sucampo Europe agreed to pay us 3.5% of the $3.0 million option fee paid by Takeda to Sucampo Europe in respect of these negotiation rights. In the event that a collaboration and license agreement was entered into by Takeda and

Sucampo Europe, without any repayment of the option fee, Sucampo Europe agreed to pay us an additional 3.5% agency fee. In December 2004, we received $105,000 from Sucampo Europe as an initial agency fee. In January 2006, the option between Takeda and Sucampo AG expired without agreement, and we received no further agency fees under this agreement.

In October 2004, we entered into an agency agreement with Sucampo Japan to negotiate on Sucampo Japan's behalf with Takeda for rights to jointly develop and commercialize AMITIZA for gastrointestinal indications in Asia. In consideration for our services, Sucampo Japan agreed to pay us 3.5% of the $2.0 million option fee paid by Takeda to Sucampo Japan in respect of these negotiation rights. In the event that a collaboration and license agreement was entered into by Takeda and Sucampo Japan, without any repayment of the option fee, Sucampo Japan agreed to pay us an additional 3.5% agency fee. In December 2004, we received $70,000 from Sucampo Japan as an initial agency fee. In October 2005, the option between Takeda and Sucampo AG expired without agreement, and we received no further agency fees under this agreement.

RESCULA Patent Disposal

In October 2000, we purchased patents relating to RESCULA from R-Tech for a purchase price of $954,865. As a result of declining royalty revenues associated with these patents, we determined that we would be unable to recover the costs of these patents from expected future cash flows and, in August 2004, assigned our rights in the RESCULA patents to Sucampo AG for a purchase price of $497,000. We recognized $36,409 in royalty revenues from the RESCULA patents in the year ended December 31, 2003 and no royalties from these patents in the year ended December 31, 2004.

Director Compensation

See "Management — Director Compensation" for a discussion of compensation paid to our non-employee directors.

Executive Compensation and Employment Agreements

See "Management — Executive Compensation" for additional information on compensation of our executive officers. Information regarding employment agreements with our executive officers is set forth under "Management — Employment Agreements."

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our class A and class B common stock as of May 31, 2006 by:

- each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our class A common stock or our class B common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and named executive officers as a group.

The percentages shown are based on 1,412,222 shares of class A common stock and 3,081,300 shares of class B common stock outstanding as of May 31, 2006, after giving effect to the conversion of all outstanding shares of convertible preferred stock into 378,000 shares of class A common stock, which will occur automatically upon the closing of this offering, and the issuance of 211,765 shares of class A common stock in connection with our acquisition of Sucampo Europe and Sucampo Japan, but assuming no exercise of outstanding options, and shares of class A common stock outstanding after this offering, including the shares being offered for sale by us in this offering. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting and investment power with respect to shares. The number of shares beneficially owned by a person includes shares subject to options held by that person that are currently exercisable or exercisable within 60 days of May 31, 2006. The shares issuable under those options are treated as if they were outstanding for computing the percentage ownership of the person holding those options but are not treated as if they were outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated below, to our knowledge, the persons or entities in this table have sole voting and investing power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law.

Except as otherwise set forth below, the address for the beneficial owner listed is c/o Sucampo Pharmaceuticals, Inc., 4733 Bethesda Avenue, Suite 450, Bethesda, Maryland 20814.

Beneficial Owner	Shares Beneficially Owned		Percentage of Shares Beneficially Owned Prior to the Offering		Percentage of Shares Beneficially Owned After the Offering		Percentage of Total Voting Power after the Offering
	A Shares	B Shares	A Shares	B Shares	A Shares	B Shares	
5% holders:							
R-Tech Ueno, Ltd. 10F, Yamato Life Insurance Building 1-1-7 Uchisaiwaicho, Chiyoda-ku Tokyo 100-0011 Japan	365,900	—	25.9%	—		—	%
S&R Technology Holdings, LLC 7201 Wisconsin Avenue Suite 700 Bethesda, Maryland 20814	220,265	3,081,300	15.6	100.0%		100.0%	
OPE Partners Limited World Trade Center Building 37F 2-4-1 Hamamatsu-cho Minato-ku, Tokyo 105-6137 Japan	233,376(1)	—	16.5	—		—	
Astellas Pharma, Inc. 3-11 Nihonbashi-Honcho 2-chome Chuo-ku, Tokyo 103-8411 Japan	147,500	—	10.4	—		—	

Beneficial Owner	Shares Beneficially Owned		Percentage of Shares Beneficially Owned Prior to the Offering		Percentage of Shares Beneficially Owned After the Offering		Percentage of Total Voting Power after the Offering
	A Shares	B Shares	A Shares	B Shares	A Shares	B Shares	
Tokio Marine and Nichido Fire Insurance Co., Ltd. West 14th Floor, Otemachi First Square 5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004 Japan	100,000	—	7.1%	—		—	
Mizuho Capital Co., Ltd. 4-3, Nihonbashi-Kabutocho Chuo-ku, Tokyo 103-0026 Japan	90,595(2)	—	6.4	—		—	
Mitsubishi UFJ Capital Co., Ltd. 2-14-1 Kyobashi, Kanematsu Building 9th Floor Chuo-Ku, Tokyo 104-0031 Japan	83,000	—	5.9	—		—	
Directors and Executive Officers:							
Sachiko Kuno	615,665(3)	3,081,300(4)	42.7	100.0%		100.0%	
Ryuji Ueno	654,165(5)	3,081,300(4)	44.2	100.0		100.0	
Mariam E. Morris	4,000(6)	—	*	—	*	—	
Brad E. Fackler	4,000(7)	—	*	—	*	—	
Gayle R. Dolecek	17,500(8)	—	*	—	*	—	
Kei S. Tolliver	3,750(9)	—	*	—	*	—	
Charles S. Hrushka	1,000(10)	—	*	—	*		
Michael J. Jeffries	—	—	—	—		—	
Hidetoshi Mine	233,376(11)	—	16.5	—		—	
Gregory D. Perry	—	—	—	—		—	
All current executive officers and directors as a group (10 persons)	947,291(12)	3,081,300(3)	61.5	100.0		100.0	

* Represents beneficial ownership of less than 1%.

(1) Consists of 92,200 shares held by OPE Limited Partnership 1 and 141,176 shares held by OPE Limited Partnership 2.

(2) Consists of 51,230 shares held by Mizuho Capital Co., Ltd., 27,600 shares held by MHCC No. 3 Limited Liability Fund, and 11,765 shares held by Mizuho Capital No. 2 Limited Partnership.

(3) Includes 29,500 shares issuable upon exercise of stock options exercisable within 60 days of May 31, 2006. Also includes 220,265 shares held by S&R Technology Holdings, LLC and 365,900 shares held by R-Tech Ueno, Ltd., as to both of which Dr. Kuno shares voting and investment control.

(4) Consists of 3,081,300 shares held by S&R Technology Holdings, LLC, as to which Drs. Kuno and Ueno share voting and investment control.

(5) Includes 68,000 shares of class A common stock issuable upon exercise of stock options exercisable within 60 days of May 31, 2006. Also includes 220,265 shares held by S&R Technology Holdings, LLC and 365,900 shares held by R-Tech Ueno, Ltd., as to both of which Dr. Ueno shares voting and investment control.

(6) Consists of 4,000 shares of class A common stock issuable upon exercise of stock options exercisable within 60 days of May 31, 2006.

(7) Consists of 4,000 shares of class A common stock issuable upon exercise of stock options exercisable within 60 days of May 31, 2006.

(8) Consists of 17,500 shares of class A common stock issuable upon exercise of stock options exercisable within 60 days of May 31, 2006.

(9) Consists of 3,750 shares of class A common stock issuable upon exercise of stock options exercisable within 60 days of May 31, 2006.

(10) Consists of 1,000 shares of class A common stock issuable upon exercise of stock options exercisable within 60 days of May 31, 2006.

(11) Consists of 92,200 shares held by OPE Limited Partnership 1 and 141,176 shares held by OPE Limited Partnership 2. Mr. Mine is the President and Chief Executive Officer of the general partner of both of these limited partnerships.

(12) Includes 127,750 shares of class A common stock issuable upon exercise of stock options exercisable within 60 days of May 31, 2006.

DESCRIPTION OF CAPITAL STOCK

The following description of our common stock and provisions of our certificate of incorporation and by-laws are summaries and are qualified by reference to the certificate of incorporation and the by-laws that will be in effect upon completion of this offering. Copies of these documents have been filed with the Securities and Exchange Commission as exhibits to our registration statement, of which this prospectus forms a part. The description of the common stock reflects changes to our capital structure that will become effective upon the closing of this offering.

Upon the completion of this offering, our authorized capital stock will consist of 270,000,000 shares of class A common stock, par value $0.01 per share, 75,000,000 shares of class B common stock, par value $0.01 per share, and 5,000,000 shares of preferred stock, par value $0.01 per share, all of which preferred stock will be undesignated.

Common Stock

As of May 31, 2006, there were 822,457 shares of class A common stock outstanding held by 18 stockholders of record and 3,081,300 shares of class B common stock outstanding held by one stockholder of record. Based upon the number of shares outstanding as of that date, and giving effect to the conversion of all outstanding shares of convertible preferred stock into 378,000 shares of class A common stock, which will occur automatically upon the closing of this offering, the issuance of 211,765 shares of class A common stock in connection with our acquisition of Sucampo Europe and Sucampo Japan and the issuance of the shares of class A common stock offered by us in this offering, there will be shares of class A common stock and 3,081,300 shares of class B common stock outstanding upon the completion of this offering. All of our class B common stock is beneficially held by S&R Technology Holdings, LLC, an entity wholly owned and controlled by Drs. Kuno and Ueno.

Our common stock is divided into two classes, class A common stock and class B common stock. Holders of class A common stock and class B common stock have identical rights, except that holders of class A common stock are entitled to one vote per share held of record and holders of class B common stock are entitled to ten votes per share held of record on all matters submitted to a vote of the stockholders. The holders of class A common stock and the holders of class B common stock do not have cumulative voting rights. Directors are elected by a plurality of the votes of the shares present in person or by proxy at the meeting and entitled to vote in such election. Subject to preferences that may be applicable to any outstanding preferred stock, holders of class A common stock and class B common stock are entitled to receive ratably such dividends, if any, as may be declared by the board of directors out of funds legally available to pay dividends. Upon our liquidation, dissolution, or winding up, the holders of class A common stock and class B common stock are entitled to receive ratably all assets after the payment of our liabilities, subject to the prior rights of any outstanding preferred stock. Holders of class A common stock and class B common stock have no preemptive, subscription, redemption, or conversion rights, except the right to have class B common stock converted into class A common stock as described below. They are not entitled to the benefit of any sinking fund. The outstanding shares of common stock are, and the shares of class A common stock offered by us in this offering will be, when issued and paid for, validly issued, fully paid, and nonassessable. The rights, powers, preferences, and privileges of holders of class A common stock and class B common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Shares of class B common stock may be converted by their holder into a like number of shares of class A common stock at any time. In addition, any shares of class B common stock that are transferred after this offering will, immediately upon transfer, automatically convert into a like number of shares of class A common stock, except that a holder of the class B common stock may:

- transfer shares to a trust organized for the benefit of members of the families of Drs. Kuno and Ueno or for charitable purposes if either or both of Drs. Kuno or Ueno continue to control the trust after the transfer, subject to the shares later being automatically converted if the trust ceases to be controlled by either or both of Drs. Kuno or Ueno; or

• pledge shares to secure a bona fide loan, subject to the shares later being automatically converted if the pledgee forecloses on the shares.

In addition, shares of class B common stock will convert automatically into a like number of shares of class A common stock upon the first to occur of the following events:

• the close of business on the day upon which one of the following events has occurred with respect to each of Dr. Kuno and Dr. Ueno:

  – her or his death;

  – her or his being judicially declared legally incompetent or the appointment of a conservator, receiver, custodian or guardian to supervise or control her or his financial affairs; or

  – she or he has ceased to be affiliated with our company as an employee, director or consultant; or

• the close of business on the day upon which the number of outstanding shares of class B common stock is less than 20% of the number of outstanding shares of class A and class B common stock together.

Once converted to class A common stock, the class B common stock will be cancelled and not reissued. Without separate class votes of the holders of each class of common stock, none of either the class A common stock or the class B common stock may be subdivided or combined unless the shares of the other class are subdivided or combined in the same proportion. The class B common stock is not being registered as part of this offering and currently we have no plans to do so in the future.

Without separate class votes of the holders of each class of common stock, we may not make any dividend or distribution to any holder of either class of common stock unless simultaneously with such dividend or distribution we make the same dividend or distribution with respect to each outstanding share of the other class of common stock; provided, however, that dividends of voting securities may differ in the same manner that the shares of class A and class B common stock differ. In the case of a dividend or other distribution payable in shares of a class of common stock, only shares of class A common stock may be distributed with respect to class A common stock and only shares of class B common stock may be distributed with respect to class B common stock. Whenever a dividend or distribution is payable in shares of a class of common stock, the number of shares of each class of common stock payable per shares of such class of common stock shall be equal in number.

In the event of a merger or consolidation of our company with or into another entity, whether or not our company is the surviving entity, the holders of class A common stock shall be entitled to receive the same per-share consideration as the per-share consideration, if any, received by any holder of the class B common stock in such merger or consolidation; provided, however, that if the merger consideration consists of voting securities, the terms of such securities may differ in the same manner that the class A and class B common stock differ.

No additional shares of class B common stock may be issued after this offering except in connection with a stock split or stock dividend on the class B common stock in which the class A common stock is similarly split or receives a similar dividend.

At present, there is no established trading market for the class A common stock. We have filed an application to list our shares of class A common stock on the NASDAQ National Market under the symbol “SCMP”.

Preferred Stock

Under the terms of our certificate of incorporation, our board of directors is authorized to direct us to issue shares of preferred stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. Upon completion of this offering, there will be no shares of preferred stock outstanding, and we have no present plans to issue any shares of preferred stock.

Registration Rights

Upon the closing of this offering, holders of an aggregate of 794,307 shares of our class A common stock will have the right to require us to register these shares under the Securities Act under specified circumstances. If we register any of our common stock, either for our own account or for the account of other securityholders, these stockholders are entitled to notice of the registration and to include their shares of common stock in the registration. In addition, these stockholders may from time to time make demand for registration on Form S-3, a short form registration statement, when we are eligible to use this form.

With specified exceptions, a holder's right to include shares in a registration is subject to the right of the underwriters to limit the number of shares included in this offering. All fees, costs and expenses of any of these registrations will be paid by us, and all selling expenses, including underwriting discounts and commissions, will be paid by the holders of the securities being registered.

Anti-Takeover Provisions

Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 imposes a supermajority vote in order for a publicly held Delaware corporation to engage in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination was approved by our board of directors prior to the time such person became interested. The vote required is two-thirds of the voting power not held by the interested stockholder. A "business combination" includes, among other things, a merger or consolidation involving us and the "interested stockholder" or the sale of more than 10% of our assets to the interested stockholder. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of our outstanding voting power and any entity or person affiliated with or controlling or controlled by such entity or person.

Future Staggered Board; Removal and Replacement of Directors

At such time as all the remaining class B common stock is converted into class A common stock, the board of directors will immediately and automatically be divided into three classes, class I, class II and class III, with each class serving staggered three-year terms, except that class I directors will serve an initial term ending at the first annual meeting of stockholders following the automatic conversion date, class II directors will serve an initial term ending at the second annual meeting of stockholders following the automatic conversion date and class III directors will serve an initial term ending at the third annual meeting of stockholders following the automatic conversion date.

Our certificate of incorporation and our by-laws provide that, following the automatic conversion date, directors may be removed only for cause and only by the affirmative vote of the holders of 75% or more of the combined voting power of our shares of capital stock present in person or by proxy and entitled to vote. Under our certificate of incorporation and by-laws, any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

The future classification of our board of directors and the limitations on the ability of our stockholders to remove directors and fill vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of our company.

Stockholder Action; Special Meeting of Stockholders; Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our certificate of incorporation and our by-laws provide that, following the automatic conversion date, any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. Our certificate of incorporation and our by-laws also provide that, except as otherwise required by law, special meetings of the stockholders can only be called by our chairman of the board, our chief executive officer or our board of directors. In addition, our by-laws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to the board of directors. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors, or by a stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary of the stockholder's intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities.

Super-Majority Vote

The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or by-laws, unless a corporation's certificate of incorporation or by-laws, as the case may be, requires a greater percentage. Our by-laws may be amended or repealed by a majority vote of our board of directors or the affirmative vote of the holders of at least 75% of the votes which all our stockholders would be entitled to cast in any annual election of directors. In addition, the affirmative vote of the holders of at least 75% of the votes which all our stockholders would be entitled to cast in any election of directors is required to amend or repeal or to adopt any provisions inconsistent with any of the provisions of our certificate of incorporation described in the prior two paragraphs or this paragraph.

Authorized but Unissued Shares

The authorized but unissued shares of class A common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of The NASDAQ National Market. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Corporate Opportunities

Our certificate of incorporation includes a provision, as permitted by the Delaware General Corporation Law, renouncing any interest or expectancy in business opportunities of entities controlled by Drs. Ueno and Kuno. This provision specifically carves out, and preserves our interest in, corporate opportunities relating to prostone compounds. The provision does not in any event override any contractual non-competition agreements among our company, Drs. Kuno and Ueno and any of their affiliated companies, such as the non-competition provisions of our agreement with Sucampo AG. This provision will expire at such time as all the remaining class B common stock is converted into class A common stock.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock will be .

NASDAQ National Market

We have applied to have our common stock approved for quotation on The NASDAQ National Market under the Symbol “SCMP”.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our class A common stock, and a liquid trading market for our class A common stock may not develop or be sustained after this offering. Future sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding options, in the public market after this offering, or the anticipation of those sales, could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through sales of our equity securities.

Upon the completion of this offering, we will have outstanding shares of class A common stock and 3,081,300 shares of class B common stock, after giving effect to the issuance of shares of class A common stock in this offering and assuming no exercise of the underwriters' over-allotment option and no exercise of options outstanding as of May 31, 2006. Each share of class A common stock is convertible into one share of class B common stock upon transfer with limited exceptions.

Of the shares to be outstanding after the completion of this offering, the shares of class A common stock sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining 3,903,757 shares of class A and class B common stock are "restricted securities" under Rule 144. Substantially all of these restricted securities will be subject to the 180-day lock-up period described below.

After the 180-day lock-up period, these restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act, which exemptions are summarized below.

Rule 144

In general, under Rule 144, beginning 90 days after the date of this offering, a person who has beneficially owned shares of our common stock for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our class A common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume in our class A common stock on The NASDAQ National Market during the four calendar weeks preceding the date of filing a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Upon expiration of the 180-day lock-up period described below, shares of our class A common stock, including shares issuable upon conversion of shares of class B common stock, will be eligible for sale under Rule 144, excluding shares eligible for resale under Rule 144(k) as described below.

We cannot estimate the number of shares of class A common stock that our existing stockholders will elect to sell under Rule 144.

Rule 144(k)

Subject to the lock-up agreements described below, shares of our common stock eligible for sale under Rule 144(k) may be sold immediately upon the completion of this offering. In general, under Rule 144(k), a person may sell shares of common stock acquired from us immediately upon the completion of this offering, without regard to manner of sale, the availability of public information about us or volume limitations, if:

- the person is not our affiliate and has not been our affiliate at any time during the three months preceding the sale; and
- the person has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than one of our affiliates.

Upon the expiration of the 180-day lock-up period described below, approximately shares of class A common stock will be eligible for sale under Rule 144(k).

Rule 701

In general, under Rule 701 of the Securities Act, any of our employees, officers, directors, consultants or advisors who purchased shares from us in connection with a qualified compensatory stock plan or other written agreement is eligible to resell those shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with specified restrictions, including the holding period, contained in Rule 144. Subject to the 180-day lock-up period described below, approximately shares of our class A common stock will be eligible for sale in accordance with Rule 701.

Lock-up Agreements

We expect that the holders of all of our currently outstanding capital stock will agree that, without the prior written consent of the representatives of the underwriters, they will not, during the period ending 180 days after the date of this prospectus, subject to exceptions specified in the lock-up agreements, sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or file a registration statement in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act with respect to, our common stock or securities convertible into or exercisable or exchangeable for our common stock. The representatives of the underwriters may, in their sole discretion, at any time and without notice, release for sale in the public market all or any portion of the shares subject to the lock-up agreements.

Registration Rights

Upon the closing of this offering, the holders of an aggregate of 794,307 shares of our class A common stock will have the right to require us to register these shares under the Securities Act under specified circumstances. After registration pursuant to these rights, these shares will become freely tradable without restriction under the Securities Act. Please see “Description of Capital Stock — Registration Rights” for additional information regarding these registration rights.

Stock Options

As of May 31, 2006, we had outstanding options to purchase 253,600 shares of class A common stock, of which options to purchase 216,800 shares of class A common stock were vested. Following this offering, we intend to file registration statements on Form S-8 under the Securities Act to register all of the shares of class A common stock subject to outstanding options and options and other awards issuable pursuant to our equity compensation plans. Please see “Management — Stock Option and Other Compensation Plans” for additional information regarding these plans. Accordingly, shares of our common stock registered under the registration statements will be available for sale in the open market, subject to Rule 144 volume limitations applicable to affiliates, and subject to any vesting restrictions and lock-up agreements applicable to those shares.

UNDERWRITING

We are offering the shares of class A common stock described in this prospectus through a number of underwriters. Banc of America Securities LLC, Deutsche Bank Securities Inc. and Leerink Swann & Co., Inc. are the representatives of the underwriters. We have entered into a firm commitment underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has agreed to purchase, the number of shares of class A common stock listed next to its name in the following table:

Underwriter	Number of Shares
Banc of America Securities LLC	
Deutsche Bank Securities Inc.	
Leerink Swann & Co., Inc.	
Total	

The underwriting agreement is subject to a number of terms and conditions and provides that the underwriters must buy all of the shares if they buy any of them. The underwriters will sell the shares to the public when and if the underwriters buy the shares from us.

The underwriters initially will offer the shares to the public at the price specified on the cover page of this prospectus. The underwriters may allow a concession of not more than $ per share to selected dealers. The underwriters may also allow, and those dealers may re-allow, a concession of not more than $ per share to some other dealers. If all the shares are not sold at the public offering price, the underwriters may change the public offering price and the other selling terms. The class A common stock is offered subject to a number of conditions, including:

- receipt and acceptance of the class A common stock by the underwriters; and
- the underwriters' right to reject orders in whole or in part.

Over-Allotment Option. We have granted the underwriters an over-allotment option to buy up to additional shares of our class A common stock at the same price per share as they are paying for the shares shown in the table above. These additional shares would cover sales of shares by the underwriters which exceed the total number of shares shown in the table above. The underwriters may exercise this option at any time within 30 days after the date of this prospectus. To the extent that the underwriters exercise this option, each underwriter will purchase additional shares from us in approximately the same proportion as it purchased the shares shown in the table above. If purchased, the additional shares will be sold by the underwriters on the same terms as those on which the other shares are sold. We will pay the expenses associated with the exercise of this option.

Discount and Commissions. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. These amounts are shown assuming no exercise and full exercise of the underwriters' option to purchase additional shares. We estimate that the expenses of the offering to be paid by us, not including underwriting discounts and commissions, will be approximately $.

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Listing. We expect our class A common stock to be approved for quotation on the NASDAQ National Market under the symbol "SCMP".

Stabilization. In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our class A common stock, including:

- stabilizing transactions;

- short sales;
- syndicate covering transactions;
- imposition of penalty bids;
- and purchases to cover positions created by short sales.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our class A common stock while this offering is in progress. Stabilizing transactions may include making short sales of our class A common stock, which involves the sale by the underwriters of a greater number of shares of class A common stock than they are required to purchase in this offering, and purchasing shares of class A common stock from us or on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount. Syndicate covering transactions involve purchases of our class A common stock in the open market after the distribution has been completed in order to cover syndicate short positions.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the class A common stock in the open market that could adversely affect investors who purchased in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The representatives also may impose a penalty bid on underwriters and dealers participating in the offering. This means that the representatives may reclaim from any syndicate members or other dealers participating in the offering the underwriting discount, commissions or selling concession on shares sold by them and purchased by the representatives in stabilizing or short covering transactions.

These activities may have the effect of raising or maintaining the market price of our class A common stock or preventing or retarding a decline in the market price of our class A common stock. As a result of these activities, the price of our class A common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence the activities, they may discontinue them at any time. The underwriters may carry out these transactions on the NASDAQ National Market, in the over-the counter market or otherwise.

Market Making. In connection with this offering, some underwriters and any selling group members who are qualified market makers on the NASDAQ National Market may engage in passive market making transactions in our class A common stock on the NASDAQ National Market. Passive market making is allowed during the period when the Securities and Exchange Commission's rules would otherwise prohibit market activity by the underwriters and dealers who are participating in this offering. Passive market making may occur during the business day before the pricing of this offering, before the commencement of offers or sales of the class A common stock. A passive market maker must comply with applicable volume and price limitations and must be identified as a passive market maker. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for our class A common stock; but if all independent bids are lowered below the passive market maker's bid, the passive market maker must also lower its bid once it exceeds specified purchase limits. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in our class A common stock during the specified period and must be discontinued when that limit is reached. Passive market making may cause the price of our class A common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. The underwriters and dealers are not required to engage in a passive market making and may end passive market making activities at any time.

Discretionary Accounts. The underwriters have informed us that they do not expect to make sales to accounts over which they exercise discretionary authority in excess of 5% of the shares of class A common stock being offered.

IPO Pricing. Prior to this offering, there has been no public market for our class A common stock. The initial public offering price will be negotiated between us and the representatives of the underwriters. Among the factors to be considered in these negotiations will be:

- the history of, and prospects for, our company and the industry in which we compete;
- our past and present financial performance;
- an assessment of our management;
- the present state of our development;
- the prospects for our future earnings;
- the prevailing conditions of the applicable United States securities market at the time of this offering;
- market valuations of publicly traded companies that we and the representatives of the underwriters believe to be comparable to us; and
- other factors deemed relevant.

The estimated initial public offering price range set forth on the cover of this preliminary prospectus is subject to change as a result of market conditions and other factors.

Lock-up Agreements. We, our directors and executive officers, all of our existing stockholders and all of our option holders have entered into lock-up agreements with the underwriters. Under these agreements, subject to exceptions, we may not issue any new shares of common stock, and those holders of stock and options may not, directly or indirectly, offer, sell, contract to sell, pledge or otherwise dispose of or hedge any common stock or securities convertible into or exchangeable for shares of common stock, or publicly announce the intention to do any of the foregoing, without the prior written consent of Banc of America Securities LLC for a period of 180 days from the date of this prospectus. This consent may be given at any time without public notice. In addition, during this 180-day period, we have also agreed not to file any registration statement for, and each of our officers and stockholders has agreed not to make any demand for, or exercise any right of, the registration of, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock without the prior written consent of Banc of America Securities LLC.

Indemnification. We will indemnify the underwriters against some liabilities, including liabilities under the Securities Act. If we are unable to provide this indemnification, we will contribute to payments the underwriters may be required to make in respect of those liabilities.

Online Offering. A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters participating in this offering. Other than the prospectus in electronic format, the information on any such web site, or accessible through any such web site, is not part of the prospectus. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that will make internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

Conflicts/Affiliates. The underwriters and their affiliates have provided, and may in the future provide, various investment banking, commercial banking and other financial services for us and our affiliates for which services they have received, and may in the future receive, customary fees. MEDACorp, a division of Leerink Swann & Co., Inc., one of the managing underwriters for this offering, has provided market research services to us in the past and may in the future provide such services.

European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each a Relevant Member State, with effect from and including the date

on which the Prospectus Directive is implemented in that Relevant Member State, an offer of the shares to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the relevant implementation date, make an offer of shares to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France. No prospectus, including any amendment, supplement or replacement thereto, has been prepared in connection with the offering of the shares that has been approved by the *Autorité des marchés financiers* or by the competent authority of another state that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*; no shares have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors, or Permitted Investors, consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or investors belonging to a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Articles L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier* and applicable regulations thereunder; none of this prospectus or any other materials related to the offering or information contained therein relating to the shares has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any shares acquired by any Permitted Investors may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

United Kingdom. Each underwriter acknowledges and agrees that:

- it has not offered or sold and will not offer or sell the shares other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments, as principal or as agent, for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments, as principal or agent, for the purposes of their businesses where the issue of the shares would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, or the FSMA, by us;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity, within the meaning of Section 21 of the FSMA, received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, all such persons together being referred to as relevant persons. The shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Italy. The offering of the shares has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*), or the CONSOB, pursuant to Italian securities legislation and, accordingly, has represented and agreed that the shares may not and will not be offered, sold or delivered, nor may or will copies of this prospectus or any other documents relating to the shares be distributed in Italy, except (i) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended, or Regulation No. 11522, or (ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, or the Financial Service Act, and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of the shares or distribution of copies of this prospectus or any other document relating to the shares in Italy may and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993, as amended, or the Italian Banking Law, Regulation No. 11522, and any other applicable laws and regulations; (ii) in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing the shares in the offering is solely responsible for ensuring that any offer or resale of the shares it purchased in the offering occurs in compliance with applicable laws and regulations.

This prospectus and the information contained herein are intended only for the use of its recipient and, unless in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the “Financial Service Act” and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended, is not to be distributed, for any reason, to any third party resident or located in Italy. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Italy has only partially implemented the Prospectus Directive, the provisions under the heading “European Economic Area” above shall apply with respect to Italy only to the extent that the relevant provisions of the Prospectus Directive have already been implemented in Italy.

Insofar as the requirements above are based on laws that are superseded at any time pursuant to the implementation of the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive.

LEGAL MATTERS

The validity of the issuance of the class A common stock offered by us in this offering will be passed upon for us by Wilmer Cutler Pickering Hale and Dorr LLP, Washington, D.C. Cleary Gottlieb Steen & Hamilton LLP has acted as counsel for the underwriters in connection with certain legal matters related to this offering.

EXPERTS

The combined financial statements as of December 31, 2004 and 2005 and for each of the three years in the period ended December 31, 2005 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on their authority as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, or SEC, a registration statement on Form S-1 under the Securities Act, with respect to the common stock offered by this prospectus. This prospectus, which is part of the registration statement, omits certain information, exhibits, schedules, and undertakings set forth in the registration statement. For further information pertaining to us and our common stock, reference is made to the registration statement and the exhibits and schedules to the registration statement. Statements contained in this prospectus as to the contents or provisions of any documents referred to in this prospectus are not necessarily complete, and in each instance where a copy of the document has been filed as an exhibit to the registration statement, reference is made to the exhibit for a more complete description of the matters involved.

You may read and copy all or any portion of the registration statement without charge at the public reference room of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of the registration statement may be obtained from the SEC at prescribed rates from the public reference room of the SEC at such address. You may obtain information regarding the operation of the public reference room by calling 1-800-SEC-0330. In addition, registration statements and certain other filings made with the SEC electronically are publicly available through the SEC's web site at http://www.sec.gov. The registration statement, including all exhibits and amendments to the registration statement, has been filed electronically with the SEC.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act and, accordingly, will file annual reports containing financial statements audited by an independent public accounting firm, quarterly reports containing unaudited financial data, current reports, proxy statements and other information with the SEC. You will be able to inspect and copy such periodic reports, proxy statements, and other information at the SEC's public reference room, and the web site of the SEC referred to above.

INDEX TO COMBINED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying combined balance sheets and the related combined statements of operations and comprehensive (loss) income, changes in stockholders' (deficit) equity and cash flows present fairly, in all material respects, the financial position of Sucampo Pharmaceuticals, Inc. and its affiliated companies (Sucampo Pharma Europe Ltd. and Sucampo Pharma, Ltd.) (collectively, the "Company") at December 31, 2004 and December 31, 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
June 19, 2006

SUCAMPO PHARMACEUTICALS, INC. and AFFILIATED COMPANIES

Combined Balance Sheets

	December 31,		March 31, 2006	
	2004	2005	Actual (unaudited)	Pro Forma (unaudited)
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 21,917,693	$ 17,436,125	$ 44,351,759	
Short-term investments	3,000,000	28,435,058	28,537,326	
Accounts receivable	99,618	584,444	474,204	
Deferred tax assets	317,199	—	—	
Deferred licensing fees	61,860	61,860	61,860	
Prepaid expenses and other current assets	196,211	282,568	403,213	
Total current assets	25,592,581	46,800,055	73,828,362	
Property and equipment, net	200,712	177,460	166,013	
Deferred licensing fees, net of current portion	927,831	865,972	850,507	
Deposits and other assets	105,089	89,727	402,342	
Total assets	$ 26,826,213	$ 47,933,214	$ 75,247,224	
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY:				
Current liabilities:				
Accounts payable	$ 1,290,951	$ 1,900,605	$ 4,481,007	
Accrued expenses	1,728,577	2,083,214	1,124,459	
Deferred revenue — current	2,242,799	16,599,457	15,083,270	
Income taxes payable	302,276	1,766,172	2,348,064	
Notes payable — related parties — current	4,040,409	847,733	849,915	
Other current liabilities	1,031,336	1,520,174	—	
Total current liabilities	10,636,348	24,717,355	23,886,715	
Notes payable — related parties, net of current portion	2,326,480	2,545,800	3,751,800	
Deferred revenue, net of current portion	26,072,885	25,333,589	21,562,772	
Other liabilities	1,513,242	—	—	
Total liabilities	40,548,955	52,596,744	49,201,287	
Commitments and Contingencies (Note 6)				
Stockholders' (Deficit) Equity:				
Series A Convertible Preferred Stock, $0.01 par value; 10,000 shares authorized; 3,780 shares issued and outstanding at December 31, 2004 and 2005 and March 31, 2006	20,288,104	20,288,104	20,288,104	$ —
Class A Common Stock, $0.01 par value; 5,000,000 shares authorized; 43,000, 540,250 and 769,662 shares issued and outstanding at December 31, 2004 and 2005 and March 31, 2006, respectively	430	5,403	7,697	13,595
Class B Common Stock, $0.01 par value; 5,000,000 shares authorized; 3,581,300 shares issued and outstanding at December 31, 2004 and 3,081,300 shares outstanding at December 31, 2005 and March 31, 2006	35,813	30,813	30,813	30,813
Common Stock, Sucampo Pharma, Ltd. (SPL), $420.65 par value; 4,000 shares authorized; 1,000 shares issued and outstanding at December 31, 2004 and 2005 and March 31, 2006	420,650	420,650	420,650	—
Common Stock, Sucampo Pharma Europe Ltd. (SPE), $1.53 par value; 10,000 shares authorized; 5,000 shares issued and outstanding at December 31, 2004 and 2005 and March 31, 2006	7,628	7,628	7,628	—
Additional paid-in capital	10,749,914	12,989,723	32,436,404	53,146,888
Deferred compensation	(61,828)	—	—	
Accumulated other comprehensive loss	(127,639)	(94,951)	(99,269)	(99,269)
Accumulated deficit	(45,035,814)	(38,310,900)	(27,046,090)	(27,046,090)
Total stockholders' (deficit) equity	(13,722,742)	(4,663,530)	26,045,937	$ 26,045,937
Total liabilities and stockholders' (deficit) equity	$ 26,826,213	$ 47,933,214	$ 75,247,224	

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

SUCAMPO PHARMACEUTICALS, INC. and AFFILIATED COMPANIES

Combined Statements of Operations and Comprehensive (Loss) Income

	Year Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005 (unaudited)	2006 (unaudited)
Revenues and other income:					
Milestone revenue	$ —	$ —	$ 30,000,000	$ 10,000,000	$ 20,000,000
Reimbursement of research and development costs	—	1,482,337	14,671,508	4,286,896	3,868,885
Contract revenue	1,636,409	275,154	2,237,115	309,278	1,809,279
Contract revenue — related parties	2,488,095	410,799	98,337	40,062	29,524
Other income — gain on sale of patent to related party	—	497,000	—	—	—
Total revenues and other income	4,124,504	2,665,290	47,006,960	14,636,236	25,707,688
Operating expenses:					
Research and development	18,444,434	14,036,070	29,887,613	6,920,214	6,120,270
Selling, general and administrative	7,446,777	8,226,730	8,116,163	1,485,488	3,769,787
Milestone royalties — related parties	—	—	1,500,000	500,000	1,250,000
Total operating expenses	25,891,211	22,262,800	39,503,776	8,905,702	11,140,057
(Loss) income from operations	(21,766,707)	(19,597,510)	7,503,184	5,730,534	14,567,631
Non-operating income (expense):					
Interest income	145,547	96,494	1,045,980	80,440	305,628
Interest expense	(141,813)	(173,519)	(310,771)	(84,300)	(20,248)
Other (loss) income	(253,601)	20,861	254,560	(68,433)	139,672
Total non-operating (expense) income, net	(249,867)	(56,164)	989,769	(72,293)	425,052
(Loss) income before income taxes	(22,016,574)	(19,653,674)	8,492,953	5,658,241	14,992,683
Income tax provision	—	—	(1,768,039)	(558,407)	(3,727,873)
Net (loss) income	$ (22,016,574)	$ (19,653,674)	$ 6,724,914	$ 5,099,834	$ 11,264,810
Pro forma net income per share (Note 3) (unaudited):					
Basic pro forma net income per share			$ 1.60		$ 2.67
Diluted pro forma net income per share			$ 1.55		$ 2.59
Pro forma weighted average common shares outstanding — basic			4,213,378		4,213,862
Pro forma weighted average common shares outstanding — diluted			4,331,479		4,342,524
Comprehensive (loss) income:					
Net (loss) income	$ (22,016,574)	$ (19,653,674)	$ 6,724,914	$ 5,099,834	$ 11,264,810
Other comprehensive (loss) income:					
Foreign currency translation	(115,246)	(13,108)	32,688	(117,392)	(4,318)
Comprehensive (loss) income	$ (22,131,820)	$ (19,666,782)	$ 6,757,602	$ 4,982,442	$ 11,260,492

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

SUCAMPO PHARMACEUTICALS, INC. and AFFILIATED COMPANIES
Combined Statements of Changes in Stockholders' (Deficit) Equity

	Series A Convertible Preferred Stock		Class A Common Stock		Class B Common Stock		SPL Common Stock		SPE Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Other Comprehen-sive Loss	Accumulated Deficit	Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2002	3,780	$ 20,288,104	38,000	$ 380	3,581,300	$ 35,813	1,000	$ 420,650	5,000	$ 7,628	$ 10,620,914	$ (16,849)	$ 715	$ (3,365,566)	$ 27,991,789
Amortization of deferred compensation	—	—	—	—	—	—	—	—	—	—	—	15,653	—	—	15,653
Foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	—	(115,246)	—	(115,246)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(22,016,574)	(22,016,574)
Balance at December 31, 2003	3,780	20,288,104	38,000	380	3,581,300	35,813	1,000	420,650	5,000	7,628	10,620,914	(1,196)	(114,531)	(25,382,140)	5,875,622
Amortization of deferred compensation	—	—	—	—	—	—	—	—	—	—	—	68,418	—	—	68,418
Issuance of 5,000 shares of restricted class A common stock	—	—	5,000	50	—	—	—	—	—	—	129,000	(129,050)	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	—	(13,108)	—	(13,108)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(19,653,674)	(19,653,674)
Balance at December 31, 2004	3,780	20,288,104	43,000	430	3,581,300	35,813	1,000	420,650	5,000	7,628	10,749,914	(61,828)	(127,639)	(45,035,814)	(13,722,742)
Amortization of deferred compensation	—	—	—	—	—	—	—	—	—	—	—	26,210	—	—	26,210
Conversion of class B common stock to class A common stock	—	—	500,000	5,000	(500,000)	(5,000)	—	—	—	—	—	—	—	—	—
Issuance of stock options and vesting modifications (Notes 2 and 11)	—	—	—	—	—	—	—	—	—	—	2,334,709	—	—	—	2,334,709
Forfeitures of 3,750 shares of restricted class A common stock	—	—	(3,750)	(37)	—	—	—	—	—	—	(96,750)	35,618	—	—	(61,169)
Exercise of 1,000 options for 1,000 shares of class A common stock	—	—	1,000	10	—	—	—	—	—	—	1,850	—	—	—	1,860
Foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	—	32,688	—	32,688
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	6,724,914	6,724,914
Balance at December 31, 2005	3,780	20,288,104	540,250	5,403	3,081,300	30,813	1,000	420,650	5,000	7,628	12,989,723	—	(94,951)	(38,310,900)	(4,663,530)
Issuance of class A common stock at $85 per share, net of offering costs of $51,045 (unaudited)	—	—	229,412	2,294	—	—	—	—	—	—	19,446,681	—	—	—	19,448,975
Foreign currency translation (unaudited)	—	—	—	—	—	—	—	—	—	—	—	—	(4,318)	—	(4,318)
Net income (unaudited)	—	—	—	—	—	—	—	—	—	—	—	—	—	11,264,810	11,264,810
Balance at March 31, 2006 (unaudited)	3,780	$ 20,288,104	769,662	$ 7,697	3,081,300	$ 30,813	1,000	$ 420,650	5,000	$ 7,628	$ 32,436,404	$ —	$ (99,269)	$ (27,046,090)	$ 26,045,937

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

SUCAMPO PHARMACEUTICALS, INC. and AFFILIATED COMPANIES

Combined Statements of Cash Flows

	Year Ended December 31,			Three Months Ended March, 31	
	2003	2004	2005	2005 (unaudited)	2006 (unaudited)
Cash flows from operating activities:					
Net (loss) income	$ (22,016,574)	$ (19,653,674)	$ 6,724,914	$ 5,099,834	$ 11,264,810
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Depreciation and amortization	91,278	95,412	61,764	15,633	16,995
Deferred tax (benefit) expense	—	(302,276)	295,876	295,876	—
Stock-based compensation expense	15,653	68,418	2,299,750	8,737	—
Changes in operating assets and liabilities:					
Accounts receivable	(106,337)	13,353	(488,826)	(9,960,069)	110,240
Deposits and other assets	(15,329)	7,297	15,362	14,734	(156,531)
Deferred licensing fees	—	(989,691)	61,859	15,464	15,465
Prepaid expenses and other current assets	74,591	223,732	(103,357)	131,093	(120,645)
Accounts payable	2,499,122	(1,904,079)	609,654	2,374,901	2,580,402
Accrued expenses	(730,551)	1,134,442	354,637	55,638	(958,755)
Income taxes payable and receivable, net	335,892	376,579	1,463,896	255,641	581,892
Deferred revenue	4,598,364	21,532,743	13,561,362	2,991,281	(5,287,004)
Other liabilities	—	2,544,578	(1,041,404)	115,194	(1,520,174)
Net cash (used in) provided by operating activities	(15,253,891)	3,146,834	23,815,487	1,413,957	6,526,695
Cash flows from investing activities:					
Purchases of short-term investments	—	(3,000,000)	(28,435,058)	—	(102,268)
Proceeds from the sale of short-term investments	—	—	3,000,000	3,000,000	—
Purchases of property and equipment	(84,851)	(17,971)	(38,512)	(16,537)	(5,548)
Proceeds from disposal of property and equipment	—	2,202	—	—	—
Net cash (used in) provided by investing activities	(84,851)	(3,015,769)	(25,473,570)	2,983,463	(107,816)
Cash flows from financing activities:					
Proceeds from exercise of stock options	—	—	1,860	—	—
Issuance of common stock	—	—	—	—	19,448,975
Capitalized IPO costs	—	—	—	—	(156,084)
Issuance of notes payable — related parties	3,130,956	2,744,525	—	—	1,208,182
Payments on notes payable — related parties	—	—	(2,280,356)	—	—
Net cash provided by (used in) financing activities	3,130,956	2,744,525	(2,278,496)	—	20,501,073
Effect of exchange rates on cash and cash equivalents	(115,246)	(28,031)	(544,989)	(265,069)	(4,318)
Net (decrease) increase in cash and cash equivalents	(12,323,032)	2,847,559	(4,481,568)	4,132,351	26,915,634
Cash and cash equivalents at beginning of period	31,393,166	19,070,134	21,917,693	21,917,693	17,436,125
Cash and cash equivalents at end of period	$ 19,070,134	$ 21,917,693	$ 17,436,125	$ 26,050,044	$ 44,351,759
Supplemental cash flow disclosures:					
Cash paid for interest	$ 35,842	$ 68,312	$ 250,868	$ 83,237	$ 20,439
Tax refunds received	$ —	$ 84,460	$ —	$ —	$ —
Tax payments made	$ —	$ —	$ —	$ —	$ 3,145,453
Supplemental disclosure of non-cash investing and financing activities:					
Conversion of class B common stock to class A common stock	$ —	$ —	$ 5,000	$ —	$ —

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

1. Business Organization and Presentation

Description of the Business

Sucampo Pharmaceuticals, Inc. (SPI), was incorporated in the State of Delaware on December 5, 1996 and is headquartered in Bethesda, Maryland. On May 12, 2006, the Company entered into an acquisition agreement with one of its affiliates to purchase the outstanding shares of Sucampo Pharma Europe Ltd. (SPE) and Sucampo Pharma, Ltd. (SPL), both related parties and under common control. SPE operates in the United Kingdom and SPL operates in Japan. The acquisition is expected to occur prior to a proposed initial public offering for SPI (see Note 14). The acquisition will be accounted for as a merger of companies under common control, and accounted for at historical cost. Hereinafter, these affiliated companies shall be referred to collectively as the "Company." The financial information of these three entities under common control is being presented in these combined financial statements. The Company is an emerging pharmaceutical company focused on the discovery, development and commercialization of proprietary drugs based on prostone technology.

The Company is a member of a group of affiliated companies (Affiliates) in which the Company's founders and controlling stockholders own directly or indirectly the majority holdings. Currently, one of the Company's founders is a member of some of the Affiliates' Boards and serves as the Chief Operating Officer and Chief Scientific Officer of the Company (see notes 7 and 8 for disclosures relating to transactions with Affiliates).

In January 2006, the Company received marketing approval from the U.S. Food and Drug Administration (FDA) for its first product, AMITIZA™ (lubiprostone), to treat chronic idiopathic constipation in adults. Commercialization of AMITIZA began in April 2006 throughout the United States.

Basis of Presentation and Principles of Combination

The accompanying combined financial statements reflect the accounts of SPI, SPE and SPL. All inter-company accounts and transactions among these three entities have been eliminated for this combination. The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Interim Financial Data

The unaudited interim condensed combined financial statements as of March 31, 2006 and for the three months ended March 31, 2005 and 2006 have been prepared in accordance with generally accepted accounting principles for interim information. Accordingly, they do not contain all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments, consisting of normal recurring adjustments considered necessary for a fair statement of the results of the interim periods have been included. The results for the three months ended March 31, 2006 are not necessarily indicative of the results to be expected for the year ending December 31, 2006. Certain information in footnote disclosures normally included in annual financial statements has been condensed or omitted for the interim periods presented, in accordance with the rules and regulation of the Securities and Exchange Commission (SEC) for interim financial statements.

Capital Resources

The Company has a limited operating history and its expected activities will necessitate significant uses of working capital throughout 2006 and beyond. The Company's capital requirements will depend on many factors, including the success of the Company's research and development efforts and successful development of new products, payments received under contractual agreements with other parties, the status of competitive products and market acceptance of the Company's new products by physicians and patients. The Company

plans to continue financing operations in part with the cash received from the joint collaboration and license agreement with Takeda Pharmaceutical Company Limited (Takeda) (see Note 10).

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

For the purpose of the combined balance sheets and statements of cash flows, cash equivalents include all highly liquid investments with an original maturity date or remaining maturity date at time of purchase of three months or less.

Short-term Investments

Short-term investments consist entirely of auction rate securities. The Company's investments in these securities are classified as available-for-sale securities under Statement of Financial Accounting Standards (SFAS) No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*". Although these securities have variable interest rates which typically reset every 7 to 35 days, they have longer-term contractual maturities, spanning from September 1, 2024 to April 1, 2040, which is why they are not classified as cash equivalents. These investments are classified within current assets because the Company has the ability and the intent to liquidate these securities if needed within a short-term time period.

These available-for-sale securities are accounted for at fair market value and unrealized gains and losses on these securities, if any, are included in accumulated other comprehensive loss in stockholders' (deficit) equity. At December 31, 2004 and 2005, and March 31, 2006, the fair market value of these securities was equivalent to the cost and no unrealized gains and losses were recorded. Interest and dividend income is recorded when earned and included in interest income. Premiums and discounts, if any, on short-term investments are amortized or accreted to maturity and included in interest income. During the years ended December 31, 2003, 2004 and 2005 and for the three months ended March 31, 2005 and 2006, there were no short-term investments that were purchased at a premium or discount. The Company uses the specific identification method in computing realized gains and losses on sale of short-term investments. During the years ended December 31, 2003, 2004 and 2005 and for the three months ended March 31, 2005 and 2006 (unaudited), there were no gains or losses realized on the sale of short-term investments.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and short-term investments. The Company places its cash and cash equivalents and short-term investments with highly rated financial institutions. At December 31, 2004 and 2005 and March 31, 2006 (unaudited), the Company had $18,764,929, $16,455,210 and $41,709,269, respectively, of cash and cash equivalents and short-term investments in excess of federally insured limits. The Company has not experienced any losses on these accounts related to amounts in excess of insured limits.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to their short maturities. The fair value of the Company's long-term debt with its related parties (see Note 7) approximates the carrying value based on the variable nature of interest rates and current market rates available to the Company.

Accounts Receivable

Accounts receivable represent amounts due from the FDA as a refund to the Company for fees previously paid, as well as amounts due under the joint collaboration and licensing agreement with Takeda (see Note 10). The Company did not record an allowance for doubtful accounts at December 31, 2004 and 2005 or March 31, 2006 (unaudited) because it does not have a history of credit losses and write-offs of accounts receivable.

Property and Equipment

Property and equipment are recorded at cost and consist of computer and office machines, furniture and fixtures and leasehold improvements. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Computer and office machines are depreciated over four years and furniture and fixtures are depreciated over seven years. Leasehold improvements are amortized over the shorter of five years or the life of the lease. Significant additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to earnings as incurred. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in earnings.

Deferred Licensing Fees

Deferred licensing fees represent a royalty payment made to a related party licensor after the Company received an up-front cash payment upon entering into the joint collaboration and license agreement with Takeda (See Note 10). The royalty payment made to the related party was initially deferred and is being amortized to general and administrative expense as the Company recognizes the related revenue over the term of the agreement.

Impairment of Long-lived Assets

When necessary, the Company assesses the recoverability of its long-lived assets by determining whether the carrying value of such assets can be recovered through undiscounted future operating cash flows. If impairment is indicated, the Company measures the amount of such impairment by comparing the fair value to the carrying value. There have been no impairment charges recorded during the years ended December 31, 2003, 2004 or 2005 or during the three months ended March 31, 2005 or 2006 because there have been no indicators of impairment during those periods.

Revenue Recognition

The Company generates revenue from the following primary sources: up-front payments under research and development arrangements, milestone payments and research and development cost sharing payments under the joint collaboration and license agreement with Takeda (see Note 10). The Company recognizes revenue from these sources in accordance with Staff Accounting Bulletin (SAB) 104, "*Revenue Recognition*" (SAB 104), and Emerging Issues Task Force (EITF) Issue No. 00-21, "*Revenue Arrangements with Multiple Deliverables*".

Up-front licensing fees, which are recorded as contract revenue, are recognized as revenue on the straight-line basis over the estimated performance period under the related agreement because no separate earnings process has been completed when the up-front licensing fee is received. Option fees, which are recorded as contract revenue, are recognized as revenue upon expiration of the option term.

The Company follows the substantive milestone revenue recognition method for recognizing contingent payments. If a milestone is earned related to the Company's performance, it evaluates whether substantive effort was involved in achieving the milestone. Factors the Company considers in determining whether a

milestone is substantive and can be accounted for separately from an up-front payment include assessing the level of risk and effort in achieving the milestone, the timing of its achievement relative to the up-front payments, and whether the amount of the payment was reasonable in relation to the Company's level of effort. If these criteria are met, the Company recognizes the milestone payment when it is earned.

Reimbursement of development cost under the joint collaboration and license agreement with Takeda is recognized as revenue using a proportional performance method in accordance with SAB 104. The Company provides multiple services under this agreement; however, there is insufficient evidence of the fair values of each of the individual services. Revenue is therefore recognized on a straight-line basis over the development activity period, estimated to be completed at the end of 2006. The Company believes a straight-line basis is representative of the pattern in which performance takes place. The revenue recognized is limited to the lesser of the cumulative straight-line basis amount or the cumulative reimbursable portion of the research and development costs incurred (see Note 10).

Revenues from the performance of research and development cost reimbursement activities under a long-term strategic alliance agreement (see Note 9) are recorded over the period in which the actual research and development activities have occurred, which was equivalent to the term of the agreement, in accordance with SAB 104. This methodology has been utilized for all payments received in advance by the Company.

Contract revenue related to development and consulting activities with related parties is accounted for under the proportional performance method and as services are rendered, respectively. Cost sharing payments received in advance are recorded as deferred revenue and recognized as revenue over the applicable clinical trial period. The application of this revenue recognition method is based on the proportional clinical trial costs incurred against total expected costs relative to the respective cost sharing arrangement.

Deferred Revenue

Consistent with the Company's policy on revenue recognition, deferred revenue represents cash received in advance for licensing fees, option fees, consulting, research and development contracts and related cost sharing and supply agreements. Such payments are reflected as deferred revenue until revenue can be recognized under the Company's revenue recognition policy. The classification of current deferred revenue is attributable to management's assumptions as to when the Company will complete the earnings process and be able to recognize the deferred amount as revenue. At December 31, 2004 and 2005 and March 31, 2006 (unaudited), total deferred revenue was $28,315,684, $41,933,046 and $36,646,042, respectively.

Other Liabilities

Other liabilities represents the portion of option payments received in advance that are refundable in the event that certain contractual contingencies are not met (see Note 10).

Research and Development Expenses

Research and development costs are expensed in the period in which they are incurred and include the cost of salaries and expenses to third parties who conduct research and development activities pursuant to development and consulting agreements on behalf of the Company. Costs related to the acquisition of intellectual property are expensed as incurred since the underlying technology associated with such acquisitions were made in connection with the Company's research and development efforts and the technology is unproven and had not received regulatory approval at its early stage of development. Milestone payments due under agreements with third party contract research organizations (CROs) are accrued when it is deemed probable that the milestone event will be achieved.

Selling, General and Administrative Expenses

Selling, general and administrative costs are expensed as incurred and consist primarily of salaries and other related costs for personnel serving executive, finance, accounting, information technology and human resource functions, as well as costs associated with sales and marketing activities. Other costs include facility costs and professional fees for legal and accounting services.

Milestone Royalties — Related Parties

Milestone royalties — related parties are expensed as incurred immediately when the related milestone revenue is recognized. The milestone royalty is 5% of milestone payments received under any sublicensing agreements for AMITIZA. In addition, for each indication for AMITIZA for which there is regulatory approval, the Company must pay a $250,000 milestone. The milestone royalties are to be paid to Sucampo AG (SAG), (Switzerland), affiliated through common ownership (see Note 8 for additional information on the lubiprostone license agreement between SAG and the Company).

Interest Income and Expense

Interest income consists of interest earned on the Company's cash and cash equivalents and short-term investments. Interest expense primarily consists of interest incurred on a related party notes payable.

Employee Stock-Based Compensation

On January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) Statement No. 123R, "*Share-Based Payment*", (SFAS 123R), under the prospective method, which requires the measurement and recognition of compensation expense for all share-based payments made to employees and directors be based on estimated fair values. Through December 31, 2005, the Company has elected to account for stock-based compensation attributable to stock options awarded to employees, directors and officers using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, "*Accounting for Stock Issued to Employees*" (APB 25). Under APB 25 guidance, stock-based compensation cost is measured as the excess, if any, of the fair market value of the Company's common stock at the date of grant over the exercise price of the option granted. Compensation cost, if any, is recognized over the related vesting period, as appropriate.

SFAS No. 148, "*Accounting for Stock-Based Compensation-Transition and Disclosure"* (SFAS 148) amends the disclosure requirements of SFAS No. 123, "*Accounting for Stock-Based Compensation*" (SFAS 123) to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

Had stock-based employee compensation expense been recorded based on the fair value at the grant dates consistent with the recognition method prescribed by SFAS 123, the Company's net (loss) income for the years ended December 31, 2003, 2004 and 2005 would have been changed to the following pro forma amounts:

	Year Ended December 31,		
	2003	**2004**	**2005**
Net (loss) income	$ (22,016,574)	$ (19,653,674)	$ 6,724,914
Add: Stock-based employee compensation expense included in net (loss) income	—	—	136,561
Less: Stock-based employee compensation expense determined under SFAS 123	(33,385)	(107,032)	(179,175)
Pro forma net (loss) income	$ (22,049,959)	$ (19,760,706)	$ 6,682,300

The Company has elected to recognize stock-based employee compensation expense under SFAS 123 for its fixed awards with pro-rata vesting based on an accelerated vesting model in accordance with FASB Interpretation No. 28, "*Accounting for Stock Appreciation Rights and Other Variable Stock Option Plan or Award Plans*" (FIN 28), and affirmed in EITF 00-23, "*Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44.*" EITF 00-23 allows companies with fixed awards to amortize the stock-based employee compensation over the vesting periods of the individual stock awards.

There were no such options issued to employees for the years ended December 31, 2003 or 2005 or for the three months ended March 31, 2006 (unaudited). The weighted average fair value per share of options granted to employees during 2004 was $1.70. The fair value for employee options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for 2004:

	2004
Expected term	1.8 years
Risk free interest rate	2.43%
Expected volatility	0%
Expected dividend rate	0%

Determining the fair value of the Company's common stock requires making complex and subjective judgments. Our approach to valuation is based on a discounted future cash flow approach that uses the Company's estimates of revenue, driven by assumed market growth rates and estimated costs as well as appropriate discount rates. These estimates are consistent with the plans and estimates that the Company uses to manage its business. There is inherent uncertainty in making these estimates. The Company elected to use the minimum-value method, as explained in SFAS 123, to determine the fair value for the employee options granted during 2004.

Adoption of SFAS 123R was implemented utilizing the prospective transition method. Under this method, stock-based compensation expense will be recognized for all share-based payment awards granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R.

The Company chose the following to use for recording its stock-based compensation expense under SFAS 123R:

- the straight-line method of allocating compensation cost under SFAS 123R,

- continue utilizing the Black-Scholes model as its chosen option-pricing model,
- utilize the "simplified" method to calculate the expected term for options as discussed under Staff Accounting Bulletin (SAB) No. 7, "*Share-Based Payment*" (SAB 107), and
- an estimate of expected volatility based on the historical volatility of similar entities whose share prices are publicly available.

The result of the adoption of SFAS 123R did not affect the combined financial statements for the periods presented because all outstanding stock options at January 1, 2006 were fully vested and there were no new stock options awarded to employees or modifications to outstanding stock options during the three months ended March 31, 2006 (unaudited). Also, prior periods do not need to be restated for this adoption because the prospective method was chosen by the Company.

Non-employee Stock-Based Compensation

In August 2005, the Company awarded certain non-employees a total of 60,000 stock options with an exercise price of $49.75 per share for research and development services. As a result, the Company immediately recognized $2,163,189 in research and development expense during the year ended December 31, 2005 because the stock option awards were immediately exercisable upon grant. Under the guidance of EITF 96-18, "*Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods, or Services*", the stock-based compensation expense was calculated at the date of grant using the fair value method as calculated using the Black-Scholes option pricing model with the following assumptions:

Expected term	4 years
Risk free interest rate	2.67%
Expected volatility	53.9%
Expected dividend rate	0%

The weighted average fair value per share of options granted for the year ended December 31, 2005 was $36.05. There were no options granted to non-employees during the years ended December 31, 2003 and 2004 or during the three months ended March 31, 2005 and 2006 (unaudited).

Income Taxes

The Company accounts for income taxes under SFAS No. 109, *"Accounting for Income Taxes"* (SFAS 109). Under the asset and liability method of SFAS 109, deferred income taxes are recognized for the expected future tax consequences of temporary differences by applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Valuation allowances are provided if it is anticipated that some or all of a deferred tax asset may not be realized. The Company also follows SFAS 5, *"Accounting for Contingencies,"* to assess potential income tax accruals from assessments that could be applied by the U.S. Internal Revenue Service or other foreign taxing authorities from existing tax exposures for taxes ultimately expected to be paid.

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

intention would be to vigorously defend its positions; however, there can be no assurance that additional liabilities may not occur as a result of any such assertions.

Foreign Currency Translation

The Company translates the assets and liabilities of its foreign combined affiliates, SPE and SPL, into U.S. dollars at the current exchange rate in effect at the end of the year. The gains and losses that result from this process are included in other comprehensive income (loss) in the stockholders' equity section of the balance sheet. The revenue and expense accounts of the foreign subsidiaries are translated into U.S. dollars at the average rates that prevailed during the relevant period.

Foreign Currency Transaction

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

Other Comprehensive (Loss) Income

SFAS No. 130, "*Reporting Comprehensive Income (Loss),*" requires that all components of comprehensive income (loss) be reported in the financial statements in the period in which they are recognized. Comprehensive income (loss) is net income (loss) plus certain other items that are recorded directly to stockholders' (deficit) equity. The Company has reported the comprehensive income (loss) in the combined statements of operations.

Certain Risks, Concentrations and Uncertainties

The Company's product candidates under development require approval from the FDA or other international regulatory agencies prior to commercial sales. For those product candidates that have not been approved by the FDA, there can be no assurance the products will receive the necessary approval. If the Company is denied approval or approval is delayed, it may have a material adverse impact on the Company.

The Company's product is concentrated in a rapidly changing, highly competitive market, which is characterized by advances in scientific discovery, changes in customer requirements, evolving regulatory requirements and industry standards. Any failure by the Company to anticipate or to respond adequately to scientific developments in its industry, changes in customer requirements or changes in regulatory requirements or industry standards, or any significant delays in the development or introduction of products or services, could have a material adverse effect on the Company's business, operating results and future cash flows.

Revenues from one unrelated party accounted for 39% of the Company's combined total revenues and other income for the year ended December 31, 2003. A second unrelated party, Takeda, accounted for 63%, 99%, 99% and 99% of the Company's combined total revenues and other income for the years ended December 31, 2004 and December 2005 and the three months ended March 31, 2005 and 2006 (unaudited), respectively.

Segment Information

Management has determined that the Company has three reportable segments, which are based on its method of internal reporting, which disaggregates its business by geographical location. The Company's reportable segments are the United States, Europe and Japan.

Use of Estimates

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

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R, "*Share-Based Payment*", (SFAS 123R) a revision of SFAS No. 123, "*Accounting for Stock-Based Compensation*". SFAS 123R requires companies to recognize expense associated with share-based compensation arrangements, including employee stock options, using a fair value-based option pricing model, and eliminates the alternative to use APB 25's intrinsic method of accounting for share-based payments. In accordance with the new pronouncement, the Company has begun recognizing the expense associated with its share-based payments, as determined using a fair-value-based method, in its statements of operations beginning in 2006. The standard generally allows two alternative transition methods in the year of adoption — prospective application and retroactive application with restatement of prior financial statements to include the same amounts that were previously included in the pro forma disclosures. On January 1, 2006, the Company adopted SFAS 123R using the prospective method of implementation. According to the prospective method, the previously issued financial statements will not be adjusted. The adoption of this pronouncement will not have any financial impact on the Company's combined financial statements until new stock option awards are granted to employees because all outstanding stock options at January 1, 2006 were fully vested and no options were granted during the three months ended March 31, 2006 (see Note 11).

SFAS No. 154, "*Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FASB Statement No. 3*" (SFAS 154), was issued by the FASB in May 2005. This Statement replaces APB Opinion No. 20, "*Accounting Changes*", and FASB Statement No. 3, "*Reporting Accounting Changes in Interim Financial Statements*", and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 applies to all voluntary changes in accounting principle and requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Statement also requires that a change in depreciation, amortization or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 as of January 1, 2006 did not have a material effect on the Company's combined financial statements.

In November 2005, the FASB Staff issued FASB Staff Position (FSP) FAS 115-1, *"The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"* (FSP FAS 115-1). FSP FAS 115-1 addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. This FSP also includes accounting considerations subsequent to the recognition of other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in this FSP amends FASB Statements No. 115, *"Accounting for Certain Investments in Debt and Equity Securities"*, and No. 124, *"Accounting for Certain Investments Held by Not-for-Profit Organizations"*, and APB Opinion No. 18, *"The Equity Method of Accounting for Investments in Common Stock"*. The guidance in this FSP must be applied to reporting periods beginning after December 15, 2005. The adoption of FSP FAS 115-1 as of January 1, 2006 did not have a material effect on the Company's combined financial statements.

3. Pro Forma (unaudited)

Pro Forma Net Income Per Share

Historical net income (loss) per share information is not presented in the statement of operations and comprehensive (loss) income due to the multiple classes of stock from multiple issuers outstanding as a result of the combined nature of the financial statements. We have calculated pro forma net income per share to give effect to the exchange of 211,765 shares of SPI class A common stock for the acquisition of the common stock of SPE and SPL and the automatic conversion of series A preferred stock into class A common stock as a result of the Company's proposed initial public offering (see Note 14).

Basic pro forma net income per share is computed by dividing net income by the sum of the weighted average class A and B common shares outstanding, and shares of SPI class A common exchanged for SPE and SPL shares outstanding. Diluted pro forma net income per share is computed by dividing net income by weighted average common shares and potential common shares outstanding.

The computation of pro forma net income per share for the year ended December 31, 2005 and for the three months ended March 31, 2006 is as follows:

	Year Ended December 31, 2005 (unaudited)	Three Months Ended March 31, 2006 (unaudited)
Basic pro forma net income per share:		
Net income	$ 6,724,914	$ 11,264,810
Weighted average class A and B common shares outstanding for basic net income per share	3,623,613	3,624,097
Shares of SPI class A common exchanged for SPE and SPL shares outstanding	211,765	211,765
Automatic conversion of series A preferred stock into class A common stock	378,000	378,000
	4,213,378	4,213,862
Basic pro forma net income per share	$ 1.60	$ 2.67
Diluted pro forma net income per share:		
Net income	$ 6,724,914	$ 11,264,810
Weighted average class A and B common shares outstanding for diluted net income per share	3,623,613	3,624,097
Shares of SPI class A common stock exchanged for SPE and SPL shares outstanding	211,765	211,765
Automatic conversion of series A preferred stock into class A common stock	378,000	378,000
Assumed exercise of stock options under the treasury stock method	118,101	128,662
	4,331,479	4,342,524
Diluted pro forma net income per share	$ 1.55	$ 2.59
Potentially dilutive securities include the following:		
Series A preferred stock	3,780	3,780
Employee stock options	111,000	111,000
Non-employee stock options	60,000	60,000

Pro Forma Stockholders' (Deficit) Equity

In connection with the Company's proposed initial public offering described in Note 14, SPI will issue 211,765 shares of its class A common stock to acquire all the capital stock of its affiliates, SPE and SPL, in

connection with the closing of an acquisition agreement dated May 12, 2006. Simultaneously, series A preferred stock will automatically convert into shares of class A common stock at a ratio of 100 shares of class A common stock for each share of preferred stock in accordance with the terms of the preferred stock. The pro forma balance sheet as of March 31, 2006 is presented to give effect to the above capital transactions.

4. Property and Equipment

Property and equipment consists of the following as of:

	December 31,		March 31,
	2004	2005	2006
			(unaudited)
Computer and office machines	$ 372,521	$ 390,058	$ 390,275
Furniture and fixtures	243,189	274,526	279,797
Leasehold improvements	52,375	48,776	48,835
Total cost	668,085	713,360	718,907
Less: accumulated depreciation and amortization	(467,373)	(535,900)	(552,894)
	$ 200,712	$ 177,460	$ 166,013

Depreciation and amortization expense for the years ended December 31, 2003, 2004 and 2005 was $91,278, $95,412 and $61,764, respectively. Depreciation and amortization expense for the three months ended March 31, 2005 and 2006 (unaudited) was $15,633 and $16,995, respectively.

5. Accrued Expenses

Accrued expenses consist of the following as of:

	December 31,		March 31,
	2004	2005	2006
			(unaudited)
Research and development costs	$ 1,303,442	$ 1,406,893	$ 289,793
Commercialization costs	—	—	396,975
Employee compensation	379,641	487,240	242,699
Legal service fees	—	89,803	76,500
Other expenses	45,494	99,278	118,492
	$ 1,728,577	$ 2,083,214	$ 1,124,459

6. Commitments and Contingencies

Operating Leases

The Company leases office spaces in the United States, United Kingdom and Japan under operating leases through 2010. The leases require the Company to make certain non-cancelable lease payments until

expiration. Total future minimum lease payments under operating leases are as follows as of December 31, 2005:

2006	$ 454,921
2007	448,477
2008	406,596
2009	372,669
2010	60,951
Total minimum lease payments	$ 1,743,614

Rent expense for all operating leases was $449,603, $490,241 and $538,092 for the years ended December 31, 2003, 2004 and 2005, respectively. Rent expense for all operating leases was $88,736 and $132,209 for the three months ended March 31, 2005 and 2006 (unaudited).

Research and Development Costs

The Company routinely enters into several agreements with third party CROs to oversee clinical research and development studies provided on an outsourced basis. The Company is not contractually obligated to pay the CRO if the service or reports are not provided. Future estimated annual costs under these agreements as of December 31, 2005 are as follows:

2006	$ 3,091,000
2007	730,000
Total estimated annual costs	$ 3,821,000

7. Notes Payable — Related Parties

In October 2000, the Company entered into a note agreement with R-Tech Ueno, Ltd. (Japan) (RTU), affiliated through common ownership, pursuant to which the Company borrowed $1,266,192. The rate of interest charged on the loan was calculated on the basis of two percentage points per annum on the outstanding principal balance. Principal and interest payments were due in eight semi-annual installments of $158,275, which commenced on April 1, 2001. The maturity date of the note was October 1, 2004. As a result of the borrowing rate of the note payable being below market rates at the date of issuance, the calculated discount of $311,335 was based on an imputed interest rate of 9%. Discount amortization for the years ended December 31, 2003 and 2004 were $86,877 and $63,558, respectively. The effective interest rate on the debt for the years ended December 31, 2003 and 2004 was approximately 9%. The note was completely paid as of December 31, 2004.

On August 1, 2003, SPL entered into a note agreement with Sucampo AG (SAG), affiliated through common ownership, pursuant to which SPL borrowed $2,849,100. The rate of interest charged on the loan was calculated on an annual basis of 1% in excess of the 6-month Tokyo InterBank Offered Rate (TIBOR) per annum on the outstanding principal balance. Principal and interest payments were due and payable within six months from the date of the agreement, but could be automatically extended for six month periods not to exceed two years. On August 1, 2005, an addendum to the note was executed which extended the term to July 31, 2007. The rate of interest charged on the loan was also amended and is now equal to the minimum rate permitted by the Swiss Federal Tax Administration, per annum (approximately 2.5% at December 31, 2005) on the outstanding principal balance, payable semi-annually. As of December 31, 2005 and March 31, 2006 (unaudited), the note had approximately $2.5 million outstanding.

On February 20, 2004 and March 29, 2004, SPL issued 3-year bonds with an aggregate face value of $1,067,440 to S&R Technology Holdings, LLC (affiliated through common ownership). Interest on the bonds

was payable every six-months at a rate of .5% per annum, which represented a market rate of interest in Japan. The bonds were paid in full by December 31, 2005 and all conversion rights were cancelled.

On May 7, 2004, SPE entered into a three-year facility agreement with S&R Technology Holdings, LLC, affiliated through common ownership, pursuant to which SPE borrowed approximately $600,000 during May 2004 and approximately $600,000 during July of 2004. The rate of interest charged on the agreement was calculated on the basis of Euro LIBOR plus 0.5% per annum (approximately 2.9% at December 31, 2005). Principal and interest payments were repayable anytime during the three year term. The note was completely paid off by December 31, 2005.

On July 1, 2004, SPE formalized a note agreement with SAG, related to the following advances previously made to SPE by SAG for general working capital purposes: $157,590 on March 20, 2003, $321,680 on August 6, 2003 and $364,144 on March 3, 2004. The rate of interest charged on the loan is equal to the minimum rate permitted by the Swiss Federal Tax Administration, per annum (approximately 5.0% at December 31, 2005) on the outstanding principal balance. Principal and interest payments were due and payable within six months from the date of the agreement, but could be automatically extended for six month periods not to exceed two years. If the note is extended, the interest must be paid on June 30th and December 31st of each year. As of December 31, 2005 and March 31, 2006, the note had been extended to July 1, 2006 and had approximately $850,000 outstanding.

On February 27, 2006, SPE entered into a note agreement with SAG, pursuant to which SPE borrowed $1,200,000. The rate of interest charged on the loan is equal to the minimum rate permitted by the Swiss Federal Tax Administration, per annum (approximately 5.0% at December 31, 2005) on the outstanding principal balance. Principal and interest payments are due and payable within six months from the date of the agreement, but can be automatically extended for six month periods, not to exceed two years. If the note is extended, the interest must be paid on June 30th and December 31st of each year. As of December 31, 2005 and March 31, 2006 (unaudited), the note had been extended to July 1, 2007 and had approximately $1.2 million outstanding.

8. Related Party Transactions

In October 2002, Sucampo Japan entered into a services agreement with R-Tech whereby Sucampo Japan agreed to perform marketing, regulatory and intellectual property support services for R-Tech relating to RESCULA for a specified monthly fee. The agreement was terminated in August 2003.

In January 2003, Sucampo Japan entered into a services agreement with Sucampo AG whereby Sucampo Japan agreed to perform patent and trademark maintenance services for Sucampo AG for a specified monthly fee. The agreement was terminated in August 2003.

On March 7, 2003, the Company entered into an exclusive supply agreement with RTU, affiliated through common ownership. The agreement grants RTU the exclusive right to manufacture and supply RUG-015, a prostone compound, and lubiprostone, and in consideration for such right RTU agreed to pay the Company as follows: $1 million upon execution of the agreement, $2 million upon commencement of a first Phase II lubiprostone trial, $3 million upon commencement of a first Phase II RUG-015 trial and $2 million upon commencement of the earlier of a second Phase II or a first Phase III RUG-015 trial. Upon execution of the agreement, the Company had already commenced Phase II clinical trials for RUG-015 and lubiprostone, which resulted in an immediate payment of $6.0 million — $1 million for the agreement execution, $2 million for the commencement of the first Phase II lubiprostone trial, and $3 million for the commencement of the first phase II RUG-015 trial. The Company evaluated the $6.0 million in cash receipts from RTU and determined

the payments were made for the exclusive right to supply inventory to the Company and determined that the amounts should be deferred until commercialization of the drugs begins. Management also was unable to adequately assign value between the two compounds based on the information available to the Company and determined that the full $6.0 million deferred amount would be amortized over the contractual life of the relationship which was equivalent to the estimated commercialization periods of both RUG-015 and lubiprostone.

During the year ended December 31, 2005, the Company ceased the development of RUG-015 due to less than satisfactory Phase II results and the Company's Board of Directors approved the Company's decision to discontinue the development of RUG-015. In addition to the Company's Board of Directors, RTU also formally approved the abandonment of RUG-015, which was a requirement in the supply agreement terms. Because the Company was unable to assign value to the compounds at the time the agreement was executed and the $6.0 million was received from RTU, the full $6.0 million remained deferred at the abandonment of RUG-015.

On September 1, 2003, the Company entered into a one-year research agreement with SAG for research consulting services provided by the Company. Under the terms of the agreement, SAG was required to pay the Company approximately $27,000 per month as services were rendered. For the years ended December 31, 2003 and 2004, the Company recognized approximately $324,000 in contract revenue — related parties in conjunction with this agreement. This agreement was completed as of September 1, 2004 and was not extended by either party.

On August 17, 2004, the Company entered into a sales agreement with SAG for the Company to sell its patent for Rescula® for $497,000. For the year ended December 31, 2004, the entire proceeds from the sale of the Rescula® patent were recorded as other income — gain on sale of patent to related party. The Company did not incur any expenses for work related to Rescula® during the year ended December 31, 2004.

On October 20, 2004, the Company and SAG amended the initial license agreement for lubiprostone to grant to the Company a royalty-bearing exclusive license, with right of sublicense. In consideration of the license, the Company is required to pay SAG 5% of any upfront and/or milestone payments the Company receives under any sublicensing agreements as well as $250,000 upon the regulatory approval for each indication for the product. In addition, the Company is required to pay SAG a patent and know-how royalty equivalent of 2.2% and 1.0%, respectively, of net sales of the licensed product, determined on a country-by-country basis. On October 29, 2004, the Company sublicensed lubiprostone to Takeda (see Note 10) and received $20.0 million of up-front payments during 2004. The Company paid SAG $1.0 million during 2004 for the 5% royalty on the up-front payment. The Company accounted for the $1.0 million prepayment to SAG as a deferred licensing fee and is amortizing the payment over the term of the contract on a straight-line basis. The Company expensed $10,309 and $61,859 of the deferred licensing fee for the years ended December 31, 2004 and 2005, respectively.

During the year ended December 31, 2005, the Company paid SAG $1.5 million in royalty payments upon receiving $30.0 million in milestone payments from Takeda for work surrounding lubiprostone. During the three month period ended March 31, 2005, the Company paid SAG a royalty payment of $500,000 upon receiving a $10.0 million milestone payment from Takeda for the NDA filing of lubiprostone. During the three month period ended March 31, 2006 (unaudited), the Company paid SAG royalty payments of $1.0 million and $250,000 upon receiving a $20.0 million milestone payment from Takeda for the FDA approval of lubiprostone. The royalty payments of $1.5 million, $500,000 and $1,250,000 to SAG during the year ended December 31, 2005 and three month periods ended March 31, 2005 and 2006 (unaudited), respectively, were expensed in the respective period as milestone royalties — related parties.

On April 4, 2005 the Company entered into a letter of intent to license SPI-017 from SAG allowing an eight month period to conduct due diligence before any final contract negotiations. Upon signing, the

Company paid SAG a $400,000 non-refundable up-front payment. This payment was recorded as research and development expenses for the year ended December 31, 2005. During February 2006, the Company and SAG executed an exclusive license for North, Central and South America to develop and commercialize SPI-017 under SAG's patent(s)/license(s) and the Company made an additional payment of $1,100,000 to SAG upon final execution. Additionally, the Company will pay SAG milestone payments as follows: $1,000,000 upon initiation of Phase II of the first indication, $2,000,000 upon filing of each NDA (not to exceed $6,000,000), $2,000,000 upon approval of each NDA (not to exceed $6,000,000) and 5% of any milestone payments paid to the Company by a third party if the Company sub-licenses rights to a third party. Finally, the Company will pay a patent royalty and know how royalty payment of 4.5% and 2%, respectively. The terms of the license require that SAG and the Company cooperate in conducting future experiments via a joint research committee. The board of directors of SPI approved the restatement of this license on June 15, 2006 (see Note 14).

On June 24, 2005, SPE entered into a 20 year exclusive manufacturing and supply agreement with RTU, affiliated through common ownership. The agreement grants RTU the exclusive right to manufacture and supply lubiprostone for clinical and commercial supplies. In consideration of the exclusive rights, RTU paid SPE $2.0 million prior to the execution of the agreement on March 31, 2005. Management has determined that the amount should be deferred until such time as the commercial benefit to RTU can be realized. The Company has recorded this amount as deferred revenue, net of current portion as of December 31, 2005 and March 31, 2006 (unaudited).

9. Strategic Alliance Agreement

On February 1, 1999, the Company entered into a five-year strategic alliance agreement with a non-related party that established a long-term alliance for the development and commercialization of medical pharmaceutical products for the treatment of ophthalmic diseases. The Company agreed to conduct non-clinical tests, clinical tests and other research and development for designated compounds prior to the finalization and commercialization of the product. In turn, the Company received payments totaling $8,000,000, which were amortized ratably over the agreement period. In the event of termination, no amounts were required to be repaid. The Company recognized revenue of approximately $1,600,000 and $67,000 for the years ended December 31, 2003 and 2004 under this agreement. All revenues related to this agreement were recognized by December 31, 2004.

10. Collaboration and License Agreements

On October 29, 2004, the Company entered into a sixteen-year joint collaboration and license agreement with Takeda to develop and commercialize lubiprostone for gastroenterology indications in the United States and Canada. Under the terms of the agreement, the Company received an upfront payment of $20 million and, upon reaching future development and commercial milestones, could receive up to $190 million in additional non-refundable payments. The Company has earned $30 million and $20 million in milestones for the year ended December 31, 2005 and the three months ended March 31, 2006 (unaudited), respectively, which is recorded in milestone revenue. The Company is amortizing the up-front payment over the terms of the agreement and has recognized $206,186 and $1,237,115 in contract revenue for the years ended December 31, 2004 and 2005, respectively. The Company has recognized $309,278 in contract revenue for each of the three months ended March 31, 2005 and 2006 (unaudited), respectively.

The Company received $5 million as an option payment in 2004 to continue negotiations for additional territories held by SPE and SPL. The agreement provided for a negotiation terms of 12 months for the SPL territory and until NDA approval of AMITIZA for the SPE territory. Of the $5 million payment received, if negotiations did not succeed, a total $2.5 million would be required to be returned to Takeda ($1 million for the SPL territory and $1.5 million for the SPE territory). The remaining $2.5 million was retained by the

Company. As to that portion of the option agreement relating to SPL ($2 million), the Company recorded $1 million as current deferred revenue and $1 million as other liabilities — short term in 2004. As to the option payment relating to SPE ($3 million), the Company recorded $1.5 million as long term deferred revenue and $1.5 million as other liabilities — long term in 2004. The option right expired for SPL during 2005 and $1 million was returned to Takeda and the Company recorded the other non-refundable $1 million in contract revenue for the year ended December 31, 2005. The option right expired for SPE during the first quarter of 2006 and $1.5 million was returned to Takeda and the Company recorded the other non-refundable $1.5 million in contract revenue for the three months ended March 31, 2006 (unaudited).

The agreement provides for cost sharing arrangements, whereby Takeda will fund all development costs up to $30 million for the development of constipation and C-IBS indications. The Company will fund all costs in excess of $30 million up to $50 million, and Takeda and the Company will equally share all remaining development expenditures. For the years ended December 31, 2004 and 2005, respectively, the Company has received and recognized revenue of $1,482,337 and $14,671,508 in reimbursement of research and development costs based on the proportional performance method in accordance with SAB 104. For the three months ended March 31, 2005 and 2006, the Company has recognized revenue of $4,286,896 and $3,868,885 in reimbursement of research and development costs. The Company has also incurred $1,482,337 and $25,867,306 in research and development expenses relating to the development of constipation and C-IBS indications for the years ended December 31, 2004 and 2005, respectively. The Company has also incurred $5,689,590 and $5,531,510 in related research and development expenditures for the three months ended March 31, 2005 and 2006 (unaudited), respectively.

Also, the Company and Takeda will share equally all external costs of regulatory-required studies up to $20 million, whereas Takeda will fund all remaining costs in excess of $20 million related to the studies. In addition, for new indications and formulations, Takeda will fund all development costs including regulatory-required studies, the maximum of $50 million and $20 million, respectively, for each new indication and formulation. The Company and Takeda will share equally all costs in excess of these amounts. There have not been any external costs of regulatory-required studies through March 31, 2006 (unaudited).

Upon commercialization, Takeda will pay on a quarterly basis royalties as a percentage of net revenues of the product. The Company has not recorded any royalty revenues as of March 31, 2006 (unaudited).

On February 1, 2006, the Company entered into a Supplemental Agreement with Takeda which specifies certain activities to be performed by the Company and Takeda pursuant to the October 29, 2004 agreement. Under the terms of the supplemental agreement, Takeda will reimburse the Company for its future costs incurred for safety monitoring, certain costs associated with the Company's medical and scientific affairs, medical marketing activities, and certain sales activities attributable to the Company's sales representatives.

11. Stockholders' Equity

Capital Structure

On July 7, 2003, the Company amended its certificate of incorporation to increase authorized shares of stock to 10,010,000 shares, $0.01 par value per share, consisting of 5,000,000 shares designated as class A common stock, 5,000,000 shares designated as class B common stock and 10,000 shares designated as series A preferred stock, $0.01 par value per share.

On July 7, 2003, the Company's Board of Directors approved a one hundred-for-one stock split for both the class A common stock and the class B common stock for stockholders of record as that date. Under such amendment, the Company converted 380 shares of outstanding class A common stock into 38,000 shares of class A common stock, $0.01 par value, and 35,813 shares of outstanding class B common stock into 3,581,300 shares of outstanding class B common stock, $0.01 par value. All outstanding shares, including

stock options, have been retroactively reflected in the accompanying Combined Financial Statements and Notes to Combined Financial Statements for all periods presented to reflect the stock split.

The class A common stock is entitled to one vote per share and, with respect to the election of Directors, votes as a separate class and is entitled to elect that number of Directors which constitutes ten percent of the total membership of the Board of Directors. The class B common stock is entitled to 10 votes per share and votes as a separate class on the remaining percentage of Board of Directors not voted on by the class A common stockholders. Each holder of record of class B common stock may, in such holder's sole discretion and at such holder's option, convert any whole number or all of such holder's shares of class B common stock into fully paid and non-assessable shares of class A common stock for each share of class B common stock surrendered for conversion. The class B common stock is not transferable, except upon conversion.

On March 18, 2005, R-Tech converted all shares of its class B common stock into 500,000 shares of class A common stock. As a result, the Company has 543,000 shares of class A common stock outstanding, $0.01 par value, and 3,081,300 shares of outstanding class B common stock, $0.01 par value, at December 31, 2005.

During March 2006, the Company sold 229,412 shares of class A common stock in a private transaction. As a result, the Company received approximately $19.5 million in gross proceeds and incurred approximately $51,000 in offering costs, which were netted against the proceeds.

Each share of series A convertible preferred stock is convertible at the option of the holder into one hundred shares of class A common stock and has no dividend rights. Holders of series A convertible preferred stock have the same voting rights as holders of class A common stock based on the number of shares of class A common stock into which their shares are convertible. If at any time the Company effects a firm commitment underwritten public offering of its stock, the series A convertible preferred stock will be automatically converted into shares of class A common stock.

SPE has only one class of stock. Under the terms of its articles of incorporation, SPE has 10,000 ordinary shares authorized at $1.53 par value. Currently, there are 5,000 shares issued and outstanding.

SPL has only one class of stock. Under the terms of its articles of incorporation, SPL has 4,000 ordinary shares authorized at $420.65 par value. Currently, there are 1,000 shares issued and outstanding.

Stock Option Plan

On February 15, 2001, the Company adopted a stock option plan (Plan) in order to provide common stock incentives to certain eligible employees, officers and directors, consultants and advisors of the Company. The Board of Directors administers the Plan and has sole discretion to grant options. The exercise price of each option granted under the Plan is determined by the Board of Directors and is to be no less than 100% of the fair market value of the Company's common stock on the date of grant. Determinations of fair market value under the Plan will be made in accordance with methods and procedures established by the Board. On September 1, 2003, the Board of Directors amended the Plan to allow for a maximum of 1,000,000 shares of class A common stock to be issued under all awards, including incentive stock options under the Plan. At March 31, 2005, approximately 829,000 shares were available for future grants under the Plan.

A summary of the activity of the Company's stock option plan is presented below for the three years ended December 31, 2005. All options relate to class A common stock:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding, December 31, 2002	122,500	$ 5.53	
Options granted	—	—	
Options forfeited	—	—	
Options outstanding, December 31, 2003	122,500	5.53	
Options granted	45,000	38.55	
Options forfeited	(4,125)	8.60	
Options outstanding, December 31, 2004	163,375	14.54	
Options exercised	(1,000)	1.86	
Options forfeited	(51,375)	34.26	
Options outstanding, December 31, 2005	111,000	5.53	
Options outstanding, March 31, 2006 (unaudited)	111,000	5.53	$ 8,820,965
Options exercisable at December 31, 2005	111,000	5.53	
Options exercisable at March 31, 2006 (unaudited)	111,000	5.53	$ 8,820,965

The following table summarizes information about employee stock options outstanding and exercisable at December 31, 2005 and March 31, 2006 (unaudited):

	Outstanding		Exercisable	
Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$ 1.86	93,500	$ 1.86	93,500	$ 1.86
25.15	17,500	25.15	17,500	25.15
	111,000	5.53	111,000	5.53

As of December 31, 2005, these employee stock options are all vested and have a maximum term of 10 years. The weighted average remaining contractual life of options outstanding as of December 31, 2005 is 4.34 years.

In May 2005, the Company approved a modification to two employees' stock option awards. The modification was to accelerate the remaining unvested stock options so the shares could be immediately exercisable. According to FASB Interpretation No. 44, "*Accounting for Certain Transactions Involving Stock Compensation*" (FIN 44), the result of such a modification is to remeasure the stock options that were modified. The remeasurement of the stock options resulted in an immediate charge of $98,400, which was included in general and administrative expenses for the year ended December 31, 2005.

During the year ended December 31, 2004, SPI's Board of Directors approved a cash payment of $120,000 to settle stock option awards. Also, during the year ended December 31, 2005, SPI's Board of Directors approved a cash payment of $180,000 to settle options that were granted and fully vested during 2004. According to FIN 44, the result of such transactions is to record the total compensation charge as the

sum of (i) the intrinsic value of the award at the original measurement date for each award and (ii) the amount of cash paid to the employees that exceeds the lesser of the intrinsic value (if any) of the award at (1) the original measurement date or (2) immediately prior to the cash settlement. Because the options were not initially granted below fair value and no intrinsic value existed for the awards, the Company recorded compensation expenses of $120,000 and $180,000, which was included in general and administrative expenses for the years ended December 31, 2004 and 2005, respectively.

The Company granted certain stock options to non-employees in August 2005 and recorded a charge of $2.2 million in conjunction with the grant which was recorded as a component of research and development expenses. The following table summarizes information about the non-employee stock options that were immediately exercisable at the grant date during August 2005:

	Outstanding (Non-employee)		Exercisable (Non-employee)	
Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$ 49.75	60,000	$ 49.75	60,000	$ 49.75

These non-employee stock options vested immediately and have a maximum term of 10 years. The weighted average remaining contractual life of options outstanding as of December 31, 2005 was 9.25 years.

12. Income Taxes

The provision for income taxes consists of the following as of December 31:

	2003	2004	2005
Current tax expense (benefit):			
Federal	$ —	$ —	$ 1,504,922
State	—	—	261,250
Foreign	—	302,276	(294,009)
Total current expense	—	302,276	1,472,163
Deferred (benefit) expense:			
Federal	—	—	—
State	—	—	—
Foreign	—	(302,276)	295,876
Total deferred (benefit) expense	—	(302,276)	295,876
Total income tax expense	$ —	$ —	$ 1,768,039

Deferred tax assets, net, consist of the following as of December 31:

	2004	2005
Deferred tax assets:		
Net operating loss carryforwards	$ 13,927,587	$ 481,913
Deferred revenue	3,225,292	14,369,596
General business credit carryforwards	3,263,350	3,252,453
Accrued expenses	723,226	523,939
Tax benefits on stock options	—	847,883
Other	17,721	—
Gross deferred tax assets	21,157,176	19,475,784
Deferred tax liabilities:		
Property and equipment	(5,621)	(39,657)
Deferred licensing fee	—	(24,139)
Gross deferred tax liabilities	(5,621)	(63,796)
Less: valuation allowance	(20,834,356)	(19,411,988)
Net deferred tax assets	$ 317,199	$ —

As of December 31, 2004 and 2005, management did not believe it was more likely than not that the deferred tax assets would be realized due to the uncertainty of the Company's ability to generate a sufficient level and proper mix of taxable income in the near term. Consequently, a valuation allowance of $20.8 million and $19.4 million has been recorded as of December 31, 2004 and 2005, respectively.

The provision for income taxes varies from the income taxes provided based on the federal statutory rate of 34% as follows for the three years ended December 31:

	2003	2004	2005
Federal tax provision at statutory rate	34.0%	34.0%	34.0%
State taxes, net of federal tax benefit	—	5.0	2.0
General business credits	—	2.9	(20.1)
Changes in valuation allowance	(33.9)	(40.8)	(14.3)
Adjustment to net operating loss carryforward	—	—	13.8
Changes in other tax matters	(0.1)	(1.1)	5.4
Total	0.0%	0.0%	20.8%

The effective income tax rate on earnings from continuing operations was 20.8% in 2005 as compared to 0% in 2004 and 2003. The higher effective tax rate in 2005 is attributable to the Company's 2005 taxable income position in excess of net operating loss carryforwards and allowable tax credit offsets.

At December 31, 2004 and 2005, the Company had U.S. federal net operating loss carryforwards (NOLs) of $32.8 million and $0, respectively, and foreign NOLs of $1.7 million and $1.4 million, respectively. The U.S. NOLs were fully utilized as of December 31, 2005, and the foreign NOLs begin to expire in December 2010. At December 31, 2004 and 2005, the Company had general business credits of $3.3 million, which also may be available to offset future income tax liabilities and will expire if not utilized at various dates beginning December 31, 2022. The realization of the benefits of the tax credits is dependent on sufficient taxable income in future years. Lack of earnings, a change in the ownership of the Company, or the application of the alternative minimum tax rules could adversely affect the Company's ability to utilize these tax credits.

13. Segment Reporting

The Company has determined that it has three reportable geographic segments based on the Company's method of internal reporting, which disaggregates business by geographic location. These segments are the United States, Europe and Japan. The Company evaluates performance of these segments based on income from operations. The reportable segments have historically derived their revenue from joint collaboration and strategic alliance agreements. Transactions between the segments consist primarily of loans and the provision of research and development services by the European and Japanese entities to the domestic entity. Following is a summary of financial information by reportable geographic segment.

	United States	Europe	Japan	Intercompany Eliminations	Combined
			(in thousands)		
Three Months Ended March 31, 2006 (unaudited)					
Milestone revenue	$ 20,000	$ —	$ —	$ —	$ 20,000
Reimbursement of research and development costs	3,869	—	—	—	3,869
Contract revenue	309	1,500	—	—	1,809
Contract revenue — related parties	—	—	30	—	30
Total revenues	24,178	1,500	30	—	25,708
Depreciation and amortization	14	—	2	—	16
Other operating expenses	10,922	155	48	—	11,125
Income (loss) from operations	13,242	1,345	(20)	—	14,567
Interest income	304	1	1		306
Interest expense	(4)	—	(16)		(20)
Other non-operating income, net	18	8	114	—	140
Income before income taxes	$ 13,560	$ 1,354	$ 79	$ —	$ 14,993
Capital expenditures	$ 5	$ —	$ —	$ —	$ 5

	United States	Europe	Japan	Intercompany Eliminations	Combined
			(in thousands)		
Three Months Ended March 31, 2005 (unaudited)					
Milestone revenue	$ 10,000	$ —	$ —	$ —	$ 10,000
Reimbursement of research and development costs	4,287	—	—	—	4,287
Contract revenue	309	—	—	—	309
Contract revenue — related parties	—	—	40	—	40
Total revenues	14,596	—	40	—	14,636
Depreciation and amortization	14	—	1	—	15
Other operating expenses	8,361	423	107	—	8,891
Income (loss) from operations	6,221	(423)	(68)	—	5,730
Interest income	79	1	34	(34)	80
Interest expense	(38)	(71)	(9)	34	(84)
Other non-operating (expenses) income, net	—	(104)	36	—	(68)
Income (loss) before income taxes	$ 6,262	$ (597)	$ (7)	$ —	$ 5,658
Capital expenditures	$ 17	$ —	$ —	$ —	$ 17
Year Ended December 31, 2005					
Milestone revenue	$ 30,000	$ —	$ —	$ —	$ 30,000
Reimbursement of research and development costs	14,672	—	—	—	14,672
Contract revenue	1,237	—	1,000	—	2,237
Contract revenue — related parties	—	—	98	—	98
Total revenues	45,909	—	1,098	—	47,007
Depreciation and amortization	60	—	1	—	61
Other operating expenses	37,713	1,475	254	—	39,443
Income (loss) from operations	8,136	(1,475)	843	—	7,504
Interest income	940	3	136	(34)	1,045
Interest expense	(157)	(139)	(49)	34	(311)
Other non-operating income, net	—	174	81	—	255
Income (loss) before income taxes	$ 8,919	$ (1,439)	$ 1,011	$ —	$ 8,493
Capital expenditures	$ 39	$ —	$ —	$ —	$ 39

	United States	Europe	Japan	Intercompany Eliminations	Combined
			(in thousands)		
Year Ended December 31, 2004					
Milestone revenue	$ —	$ —	$ —	$ —	$ —
Reimbursement of research and development costs	1,482	—	—	—	1,482
Contract revenue	275	—	—	—	275
Contract revenue — related parties	1,239	—	82	(413)	908
Total revenues	2,996	—	82	(413)	2,665
Depreciation and amortization	83	2	11	—	96
Other operating expenses	18,655	2,422	1,503	(412)	22,168
Loss from operations	(15,742)	(2,424)	(1,432)	(1)	(19,599)
Interest income	93	3	162	(162)	96
Interest expense	(260)	(43)	(33)	162	(174)
Other non-operating (expenses) income, net	22	(164)	164	1	23
Loss before income taxes	$ (15,887)	$ (2,628)	$ (1,139)	$ —	$ (19,654)
Capital expenditures	$ 14	$ —	$ 4	$ —	$ 18
Year Ended December 31, 2003					
Milestone revenue	$ —	$ —	$ —	$ —	$ —
Reimbursement of research and development costs	—	—	—	—	—
Contract revenue	1,637	—	—	—	1,637
Revenues — related parties	1,012	—	5,138	(3,662)	2,488
Total revenues	2,649	—	5,138	(3,662)	4,125
Depreciation and amortization	81	—	10	—	91
Other operating expenses	24,110	425	4,928	(3,662)	25,801
(Loss) income from operations	(21,542)	(425)	200	—	(21,767)
Interest income	145	1	104	(104)	146
Interest expense	(210)	(15)	(21)	104	(142)
Other non-operating (expenses) income, net	—	4	(258)	—	(254)
(Loss) income before income taxes	$ (21,607)	$ (435)	$ 25	$ —	$ (22,017)
Capital expenditures	$ 66	$ —	$ 19	$ —	$ 85

	United States	Europe	Japan	Intercompany Eliminations	Combined
			(in thousands)		
March 31, 2006 (unaudited)					
Property, plant and equipment, net	$ 107	$ 3	$ 56	$ —	$ 166
Indentifiable assets	$ 71,713	$ 893	$ 2,666	$ (25)	$ 75,247
December 31, 2005					
Property, plant and equipment, net	$ 116	$ 3	$ 58	$ —	$ 177
Indentifiable assets	$ 45,314	$ 1,363	$ 2,576	$ (1,320)	$ 47,933
December 31, 2004					
Property, plant and equipment, net	$ 118	$ 5	$ 78	$ —	$ 201
Indentifiable assets	$ 20,920	$ 2,481	$ 5,090	$ (1,665)	$ 26,826

14. Subsequent Events

In April 2006, the Company sold 52,795 shares of class A common stock in a private placement transaction, and received approximately $4.5 million in net proceeds from that transaction.

On May 23, 2006, the Company's Board of Directors approved a transaction to have SPI acquire all the capital stock of its affiliated European and Asian operating companies, SPE and SPL, via a tax-free reorganization pursuant to Internal Revenue Code Section 368 (a)(1)(B). This transaction is anticipated to close prior to the Company's planned initial public offering. This reorganization is subject to the satisfaction of a number of conditions and may be terminated by the parties in specified circumstances. However, the proposed initial public offering will not be closed unless the reorganization has been consummated.

On June 5, 2006, the Company's Board of Directors approved a 2006 Stock Option Plan and reserved 1,000,000 shares of class A common stock for issuance under that plan. In addition, the Board approved the Employee Stock Purchase Plan and reserved 500,000 shares of class A common stock for issuance under that plan. The Board also authorized the Company to begin pursuing a process for an initial public offering of its class A common stock.

On June 8, 2006, the Company's Board of Directors approved a decision to repay all related party notes payable by June 30, 2006.

Restated Sucampo AG License

The Company's Board of Directors has approved a restated license agreement with SAG, which will become effective immediately prior to the closing of the Company's anticipated initial public offering. This agreement supersedes all previous license and data sharing arrangements between the parties and functions as a master license agreement with respect to Sucampo AG's prostone technology. Under the agreement, SAG has granted to SPI and its wholly owned subsidiaries a royalty-bearing, exclusive, worldwide license, with the right to sublicense, to develop and commercialize AMITIZA, SPI-8811, SPI-017 and all other prostone compounds covered by patents and patent applications held by SAG. In connection with this transaction certain personnel of SAG who perform research in the field of prostones will transfer to SPL and the filing and maintenance costs relating to the patent portfolio licensed from SAG will be assumed by the Company.

Shares

Class A Common Stock

Prospectus
, 2006

Banc of America Securities LLC

Deutsche Bank Securities

Leerink Swann & Company

Until , 2006, all dealers that buy, sell or trade the class A common stock may be required to deliver a prospectus, regardless of whether they are participating in this offering. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution.***

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the Securities and Exchange Commission registration fee, the National Association of Securities Dealers Inc. filing fee and the NASDAQ listing fee.

	Amount
Securities and Exchange Commission registration fee	$ 9,229
National Association of Securities Dealers Inc. fee	9,125
NASDAQ Stock Market listing fee	*
Accountants' fees and expenses	*
Legal fees and expenses	*
Blue Sky fees and expenses	*
Transfer agent's fees and expenses	*
Printing and engraving expenses	*
Miscellaneous	*
Total expenses	$ *

* To be filed by amendment.

Item 14. ***Indemnification of Directors and Officers.***

Section 102 of the Delaware General Corporation Law permits a corporation to eliminate the personal liability of its directors or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Our certificate of incorporation provides that no director shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as director, notwithstanding any provision of law imposing such liability, except to the extent that the Delaware General Corporation Law prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty.

Section 145 of the Delaware General Corporation Law provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by the person in connection with an action, suit or proceeding to which he or she is or is threatened to be made a party by reason of such position, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which the Court of Chancery or such other court shall deem proper.

Our certificate of incorporation provides that we will indemnify each person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of us) by reason of the fact that he or she is or was, or has agreed to become, a director or officer, or is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or

other enterprise (all such persons being referred to as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding and any appeal therefrom, if such Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Our certificate of incorporation provides that we will indemnify any Indemnitee who was or is a party to an action or suit by or in the right of us to procure a judgment in our favor by reason of the fact that the Indemnitee is or was, or has agreed to become, our director or officer, or is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee or trustee or, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding, and any appeal therefrom, if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, except that no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to us, unless a court determines that, despite such adjudication but in view of all of the circumstances, he or she is entitled to indemnification of such expenses. Notwithstanding the foregoing, to the extent that any Indemnitee has been successful, on the merits or otherwise, he or she will be indemnified by us against all expenses (including attorneys' fees) actually and reasonably incurred in connection therewith. Expenses must be advanced to an Indemnitee under certain circumstances.

We maintain a general liability insurance policy which covers certain liabilities of directors and officers of our corporation arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we enter into in connection with the sale of class A common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us with the meaning of the Securities Act, as amended, against certain liabilities.

Item 15. ***Recent Sales of Unregistered Securities.***

Set forth below is information regarding shares of common stock issued, and options granted by us, within the past three years. Also included is the consideration, if any, received by us for such shares and options and information relating to the section of the Securities Act, or rule of the Securities and Exchange Commission, under which exemption from registration was claimed.

(a) Issuances of Capital Stock

From March 31, 2006 through April 12, 2006, we issued and sold 282,207 shares of our class A common stock at a purchase price per share of $85.00 to nine accredited investors for an aggregate purchase price of $24.0 million.

All of these issuances were made in reliance on the exemption provided by Section 4(2) of the Securities Act or Regulation D promulgated thereunder. The recipients of securities in each of the above-referenced transactions represented their intentions to acquire the securities for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof and appropriate legends were affixed to the instruments representing such securities issued in such transactions. All recipients either received adequate information about us or had, through their relationship with us, adequate access to such information.

(b) Certain Grants and Exercises of Stock Options

The sale and issuance of the securities described below were exempt from registration under the Securities Act in reliance on Rule 701 promulgated under Section 3(b) of the Securities Act, as transactions by an issuer not involving a public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701.

Pursuant to our stock plans, as of May 31, 2006, we have issued options to purchase an aggregate of 338,100 shares of class A common stock. Of these options:

- options to purchase 83,500 shares of class A common stock have been canceled or lapsed without being exercised;
- options to purchase 1,000 shares of class A common stock have been exercised; and
- options to purchase a total of 253,600 shares of class A common stock are currently outstanding, at a weighted average exercise price of $41.88 per share.

Item 16. ***Exhibits and Financial Statement Schedules.***

(a) Exhibits

Exhibit Number	Description of Exhibit
1.1*	Form of Underwriting Agreement
3.1	Certificate of Incorporation of the Registrant, as amended
3.2*	Form of Restated Certificate of Incorporation of the Registrant to be effective upon closing of the offering
3.3	Bylaws of the Registrant, as amended
3.4*	Form of Restated Bylaws of the Registrant to be effective upon the closing of the offering
4.1*	Specimen Stock Certificate evidencing the shares of class A common stock
5.1*	Opinion of Wilmer Cutler Pickering Hale and Dorr LLP
10.1	Amended and Restated 2001 Stock Incentive Plan
10.2*	2006 Stock Incentive Plan
10.3*	2006 Employee Stock Purchase Plan
10.4*	Form of Incentive Stock Option Agreement for 2006 Stock Incentive Plan
10.5*	Form of Nonstatutory Stock Option Agreement for 2006 Stock Incentive Plan
10.6*	Form of Restricted Stock Agreement for 2006 Stock Incentive Plan
10.7*	Non-employee Director Compensation Summary
10.8*	Employment Agreement, dated June 16, 2006, between the Registrant and Dr. Sachiko Kuno
10.9*	Employment Agreement, dated June 16, 2006, between the Registrant and Dr. Ryuji Ueno
10.10	Form of Executive Employment Agreement
10.11	Indemnification Agreement, dated May 26, 2004, between the Registrant and Dr. Sachiko Kuno
10.12	Indemnification Agreement, dated May 26, 2004, between the Registrant and Dr. Ryuji Ueno
10.13	Indemnification Agreement, dated May 26, 2004, between the Registrant and Mr. Michael Jeffries
10.14	Indemnification Agreement, dated May 26, 2004, between the Registrant and Mr. Hidetoshi Mine
10.15	Indemnification Agreement, dated May 23, 2006, between the Registrant and Mr. Gregory D. Perry
10.16	Form of Investor Rights Agreement
10.17	Lease Agreement, dated September 16, 1998, between the Registrant and Plaza West Limited Partnership, successor in interest to Trizechahn Plaza West Limited Partnership, as amended
10.18	Sublease Agreement, dated October 26, 2005, between the Registrant and First Potomac Realty Investment L.P.
10.19*	Amended and Restated Patent Access Agreement, dated 2006, among the Registrant, Sucampo Pharma Europe Ltd., Sucampo Pharma, Ltd. and Sucampo AG
10.20*	Exclusive Manufacturing and Supply Agreement, dated June 23, 2004, between the Registrant and R-Tech Ueno, Ltd., as amended on , 2006
10.21**	Collaboration and License Agreement, dated October 29, 2004, between the Registrant and Takeda Pharmaceutical Company Limited

Exhibit Number	Description of Exhibit
10.22**	Agreement, dated October 29, 2004, among the Registrant, Takeda Pharmaceutical Company Limited and Sucampo AG
10.23**	Supply Agreement, dated October 29, 2004, among the Registrant, Takeda Pharmaceutical Company Limited and R-Tech Ueno, Ltd.
10.24**	Supply and Purchase Agreement, dated January 25, 2006, among the Registrant, Takeda Pharmaceutical Company Limited and R-Tech Ueno, Ltd.
10.25**	Supplemental Agreement, dated February 1, 2006, between the Registrant and Takeda Pharmaceutical Company Limited
10.26**	Services Agreement, dated February 9, 2006, between the Registrant and Ventiv Commercial Services, LLC
21.1	Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of Wilmer Cutler Pickering Hale and Dorr LLP (included in Exhibit 5.1)
24.1	Powers of Attorney (included on signature page)
99.1	Consent of Leerink Swann & Co., Inc.

* To be filed by amendment.

** Confidential treatment has been requested for portions of this exhibit.

(b) Financial Statement Schedules

None.

Item 17. ***Undertakings***

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bethesda, Maryland on the 19th day of June, 2006.

SUCAMPO PHARMACEUTICALS, INC.

By: /s/ SACHIKO KUNO
Sachiko Kuno, Ph.D.
President and Chief Executive Officer

POWER OF ATTORNEY

We the undersigned officers and directors of Sucampo Pharmaceuticals, Inc., hereby severally constitute and appoint Sachiko Kuno, Kei Tolliver and Brent B. Siler, and each of them singly (with full power to each of them to act alone), our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution in each of them for him and in his name, place and stead, and in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as full to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities held on the dates indicated.

Signature	Title	Date
/s/ Sachiko Kuno Sachiko Kuno, Ph.D.	Director, President and Chief Executive Officer (Principal Executive Officer)	June 19, 2006
/s/ Ryuji Ueno Ryuji Ueno, M.D., Ph.D., Ph.D.	Chief Scientific Officer, Chief Operating Officer and Chairman of the Board of Directors	June 19, 2006
/s/ Mariam Morris Mariam Morris	Chief Financial Officer (Principal Financial and Accounting Officer)	June 19, 2006
/s/ Michael J. Jeffries Michael J. Jeffries	Director	June 19, 2006
/s/ Hidetoshi Mine Hidetoshi Mine	Director	June 19, 2006
/s/ Gregory D. Perry Gregory D. Perry	Director	June 19, 2006

EXHIBIT INDEX

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23.1	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of Wilmer Cutler Pickering Hale and Dorr LLP (included in Exhibit 5.1)
24.1	Powers of Attorney (included on signature page)
99.1	Consent of Leerink Swann & Co., Inc.

* To be filed by amendment.

** Confidential treatment has been requested for portions of this exhibit.

Exhibit 3.1

CERTIFICATE OF INCORPORATION
OF
R-TECH UENO (USA), INC.

The undersigned, for the purposes of forming a corporation pursuant to Sections 101 and 102 of the General Corporation Law of Delaware, does hereby certify as follows:

FIRST: The name of the corporation is R-Tech Ueno (USA), Inc. (the "Corporation").

SECOND: The address of the Corporation's registered office in Delaware is 1013 Centre Road, City of Wilmington, County of New Castle, Delaware 19805. The name of the Corporation's registered agent at that address is Corporation Service Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is one thousand (1,000), par value one dollar ($1.00) per share, and all of which shares are common stock.

FIFTH: The name and mailing address of the incorporator are:

Name	Mailing Address
Junji Masuda	399 Park Avenue, 18th Floor New York, NY 10022

SIXTH: The Board of Directors is expressly authorized to adopt, amend, or repeal the By-laws of the Corporation.

SEVENTH: Pursuant to Section 211(e) of the General Corporation Law of Delaware, the directors of the Corporation shall not be required to be elected by written ballots.

EIGHTH: (a) A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its

stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

(b) No modification or repeal of the provisions of this Article shall adversely affect any right or protection of any director of the Corporation existing at the date of such modification or repeal or create any liability or adversely affect any such right or protection for any acts or omissions of such director occurring prior to such modification or repeal.

NINTH: The Corporation shall, to the full extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as amended from time to time, indemnify all persons whom it may indemnify pursuant thereto.

IN WITNESS WHEREOF, the undersigned, being the Sole Incorporator hereinabove named, hereby further certifies that the facts herein stated are true and, accordingly, has signed this Certificate of Incorporation this second day of December, 1996.

/s/ Junji Masuda
Junji Masuda
Sole Incorporator

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
R-TECH UENO (USA), INC.

It is hereby certified that:

1. The name of the corporation (hereinafter called the "Corporation") is R-Tech Ueno (USA), Inc.

2. The Certificate of Incorporation of the Corporation is hereby amended by striking out Article FOURTH thereof and by substituting in lieu of said Article the following new Article:

"FOURTH: The total number of shares of stock which the Corporation has authority to issue is five hundred thousand (500,000) shares, par value one dollar ($1.00) per share, and all of which shares are common stock.

3. The amendment of the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

Signed on May 19, 1997

/s/ Sachiko Kuno
Sachiko Kuno
President

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
R-TECH UENO (USA), INC.

R-Tech Ueno (USA), Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is R-Tech Ueno (USA), Inc. (the "Corporation"). The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 5, 1996.

2. This Amended and Restated Certificate of Incorporation has been duly adopted pursuant to Section 245, and in accordance with Section 242, of the General Corporation Law of the State of Delaware.

3. The text of the Certificate of Incorporation as heretofore amended or supplemented is hereby restated and further amended to read in its entirety as follows:

ARTICLE I

The name of the corporation is R-Tech Ueno (USA), Inc.

ARTICLE II

The address of the Corporation's registered office in Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, Delaware 19808. The name of the Corporation's registered agent at that address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware,

ARTICLE IV

4.1 Class of Stock. (a) The total number of shares of capital stock which the Corporation shall have authority to issue is eighty thousand (80,000) shares, of which there shall be (a) seventy thousand (70,000) shares of common stock, $.01 par value per share ("Common Stock"), consisting of (i) fifty thousand (50,000) shares designated as "Class A Common Stock" ("Class A Common Stock") and (ii) twenty thousand (20,000) shares designated as "Class B Common Stock" ("Class B Common Stock"), and (b) ten thousand (10,000) shares designated as Preferred Stock, $ .01 par value per share ("Preferred Stock").

(b) The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all the then outstanding shares of Common Stock voting as a single class without the separate vote of the holders of any other class of stock.

4.2 Powers and Rights of Common Stock. The powers and rights of the Common Stock and the qualifications, limitations and restrictions thereof are as follows:

(a) Class A Common Stock. The shares of Class A Common Stock and shares of Class B Common Stock shall be identical in all respects and shall have equal rights and privileges except as set forth in Section 4.2(a) and Section 4.2(b). Upon the dissolution, liquidation or winding up of the Corporation, after any preferential amounts to be distributed to the holders of any other class or series of stock having a preference over the Class A Common Stock and Class B Common Stock then outstanding have been paid or declared and funds sufficient for the payment thereof in full set apart for payment, the holders of the Class A Common Stock and Class B Common Stock shall be entitled to receive pro rata all the remaining assets of the Corporation available for distribution to its stockholders.

(i) Dividends.

(A) Such dividends or distributions as may be determined by the Board of Directors of the Corporation from time to time may be declared and paid or made upon the Class A Common Stock out of any source at the time lawfully available for the payment of dividends, provided that (subject to subparagraph (B) and (C) below of this paragraph (a)(i)) identical dividends or distributions are declared and paid concurrently upon the Class B Common Stock. If dividends or distributions are declared and paid upon the Class B Common Stock (subject co subparagraphs (B) and (C) below of this paragraph (a)(i)) an identical dividend shall be declared and paid concurrently on the Class A Common Stock.

(B) No dividend may be declared and paid in Class A Common Stock unless the dividend is payable only to holders of Class A Common Stock and a dividend payable in Class B Common Stock is declared and paid concurrently in respect of outstanding shares of Class B Common Stock in the same number of shares of Class B Common Stock per outstanding share.

(C) If a dividend is declared and paid in Class B Common Stock in respect of outstanding shares of Class B Common Stock, then a dividend shall be declared and paid concurrently in shares of Class A Common Stock in respect of outstanding shares of Class A Common Stock so that each holder of outstanding shares of Class A Common Stock receives (on a per outstanding share basis) a total number of dividend shares of Class A Common Stock equal to the number of dividend shares of Class B Common Stock received (on a per outstanding share basis) by the holders of the outstanding shares of Class B Common Stock.

(ii) Stock Combinations and Subdivisions. The Class A Common Stock shall not be combined or subdivided unless at the same time there is a proportionate combination or

subdivision of the Class B Common Stock. If the Class B Common Stock is combined or subdivided, a proportionate combination or subdivision of the Class A Common Stock shall be made at the same time.

(iii) Voting. The holders of Class A Common Stock shall have the voting rights set forth below:

(A) With respect to the election of Directors, the holders of Class A Common Stock voting as a separate class shall be entitled to elect that number of Directors which constitutes ten percent (10%) of the total membership of the Board of Directors, and if such ten percent (10%) is not a whole number, then the holders of Class A Common Stock will be entitled to elect the nearest higher whole number of directors which constitutes ten percent (10%) of such membership. Such election shall be from a slate of Director nominees separate from a slate of Director nominees from which holders of Class B Common Stock shall elect Directors. There shall be no cumulative voting for either holders of Class A Common Stock or holders of Class B Common Stock.

(B) The holders of Class A Common Stock will be entitled to vote as a separate class on the removal, with or without cause, of any Director elected by the holders of Class A Common Stock, provided that, to the extent permitted by applicable law, any Director may be removed for cause by the Board of Directors.

(C) Except as may otherwise be required by law, the holders of Class A Common Stock shall, in all matters not referred to in subparagraphs (A) or (B) of this paragraph (a)(iii) or in subparagraphs (A) or (B) of paragraph (b)(iii) of this Section 4.2, vote together with the holders of Class B Common Stock as a single class, provided that the holders

of Class A Common Stock will have one (1) vote for each share and the holders of Class B Common Stock shall have ten (10) votes for each share.

(D) Notwithstanding anything herein to the contrary, the holders of Class A Common Stock shall have exclusive voting power on all matters at any time when no shares of Class B Common Stock are issued and outstanding.

(b) Class B Common Stock.

(i) Dividends and Distributions. Subject to the provisions of Section 4.2(a)(i), such dividends and distributions may be declared and paid or made upon the Class B Common Stock as may be permitted by applicable law.

(ii) Stock Combinations and Subdivisions. Subject to the provisions of Section 4.2(a)(ii), the Class B Common Stock may be combined or subdivided in such manner as may be permitted by applicable law.

(iii) Voting. Subject to the provisions of this Section 4.2(b)(iii), the Class B Common Stock Shall have ten (10) votes per share on all matters that may be submitted to a vote of the stockholders. Without limiting the generality or the foregoing:

(A) With respect to the election of Directors, the holders of Class B Common Stock shall be entitled, voting as a separate class, to elect the remaining Directors not subject to the priority rights of the holders of the Class A Common Stock set forth in Section 4.2(a)(iii); and

(B) The holders of the Class B Common Stock will be entitled to vote as a separate class on the removal, with or without cause, of any Director who was elected by the holders of the Class B Common Stock, provided that, to the extent permitted by applicable law, any Director may be removed for cause by the Board of Directors.

(iv) Conversion.

(A) Each holder of record of Class B Common Stock may, in such holder's sole discretion and at such holder's option, convert any whole number or all of such holder's shares of Class B Common Stock into fully paid and nonassessable shares of Class A Common Stock at the rate (subject to adjustment as hereinafter provided) of one (1) share of Class A Common Stock for each share of Class B Common Stock surrendered for conversion. Any such conversion may be effected by any holder of Class B Common Stock surrendering such holder's certificate or certificates for the shares of Class B Common Stock to be converted, duly endorsed, at the office of the Corporation or any transfer agent for the Class B Common Stock, together with a written notice to the Corporation at such office that such holder elects to convert all or a specified number of shares of Class B Common Stock and stating the name or names in which such holder desires the certificate or certificates for such shares of Class A Common Stock to be issued. Promptly thereafter, the Corporation shall issue and deliver to such holder or such holder's nominee or nominees, a certificate or certificates for the number of shares of Class A Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made at the close of business on the date of such surrender and the person or persons entitled to receive the shares of Class A Common Stock issuable on such conversion shall be treated for all purposes as the record holder or holders of such shares of Class A Common Stock on that date.

(B) Any shares of Class B Common Stock surrendered for conversion or exchanged, redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the surrender or acquisition thereof and shall not be reissued.

(C) The number of shares of Class A Common Stock into which the shares of Class B Common Stock may be converted shall be subject to adjustment from time to time in the event of any capital reorganization, reclassification of stock of the Corporation, consolidation or merger of the Corporation with or into another corporation, or sale or conveyance of all or substantially all of the assets of the Corporation to another corporation or other entity or person. Each share of Class B Common Stock shall thereafter be convertible into such kind and amount of securities or other assets, or both, as are issuable or distributable in respect of the number of shares of Class A Common Stock into which each share of Class B Common Stock is convertible immediately prior to such reorganization, reclassification, consolidation, merger, sale or conveyance. In any such case, appropriate adjustments shall be made by the Board of Directors of the Corporation in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of Class B Common Stock to the end that the provisions set forth herein (including provisions for adjustment of the conversion rate) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other assets thereafter deliverable on conversion of the Class B Common Stock.

(D) The Corporation shall, at all times, reserve and keep available out of the authorized and unissued shares of Class A Common Stock, solely for the purpose of effecting the conversion of the outstanding Class B Common Stock, such number of shares of Class A Common Stock as shall from time to time be sufficient to effect conversion of all outstanding Class B Common Stock and if, at any time, the number of authorized and unissued shares of Class A Common Stock shall not be sufficient to effect conversion of the then outstanding Class B Common Stock, the Corporation shall take such corporate action as may be

necessary to increase the number of authorized and unissued shares of Class A Common Stock to such number as shall be sufficient for such purposes.

(v) Transfer. The Class B Common Stock shall not be transferable except upon conversion, provided, however, that said restrictions on transfer shall not apply with respect to any transfer by a holder of Class B Common Stock (i) in the case of a holder that is an individual, pursuant to applicable laws of descent and distribution or among such holder's Family Group or (ii) in the case of a holder that is an entity, among its Affiliates. For purposes of this Agreement, "Family Group" means a stockholder's descendants (whether natural or adopted) together with such stockholder's spouse, parent, siblings and their respective descendants (whether natural or adopted) and any trust solely for the benefit of the stockholder and/or such other persons and "Affiliate" of a stockholder means any other person, directly or indirectly controlling, controlled by or under common control with such stockholder and any partner of a stockholder which is a partnership and any member of a stockholder which is a limited liability company.

4.3 Preferred Stock. The Board of Directors of me Corporation is authorized to issue shares of Preferred Stock from time to time in one or more series for such consideration as it may determine; to fix or alter the voting powers, designations, preferences and rights, including but not limited to dividend rights, dividend rate, conversion rights, and terms of redemption (including sinking fund provisions), redemption price or prices and liquidation preferences, or any of them, as to wholly unissued series of shares of Preferred Stock; and to fix the number of shares constituting any such series and designation thereof, or any of them, and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of

such series be so decreased, the shares constituting such decrease shall resume the status, which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

The Corporation is to have a perpetual existence.

ARTICLE VI

In furtherance of and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the by-laws of the Corporation, subject to any restrictions and limitations set forth therein.

ARTICLE VII

Pursuant to Section 211 (e) of the Delaware General Corporation Law, the Directors of the Corporation shall not be required to be elected by written ballots.

ARTICLE VIII

(a) The Corporation is or will be owned by S&R Technology Holdings, LLC Sucampo, AG and R-Tech Ueno, Ltd., (referred to, with their affiliates, as the "R-Tech Group") and perhaps certain other entities that may engage in the same or similar activities or lines of business as the Corporation (each such entity, with its affiliates, are referred to collectively as "Competing Entities" and individually as a "Competing Entity"). In anticipation that the Corporation and the Competing Entities may engage in the same or similar activities or lines of business and have an interest in the same areas of corporate opportunities, and in recognition of (i) the benefits to be derived by the Corporation through its continued contractual, corporate and business relations with the Competing Entities (including service of officers, directors and employees thereof as directors of the Corporation) and (ii) the difficulties attendant to any director, who desires and endeavors fully to satisfy such director's fiduciary duties, in

determining the full scope of such duties in any particular situation, the provisions of this Article VIII are set forth to regulate, define and guide the conduct of certain affairs of the Corporation as they may involve any Competing Entity and their officers, director and employees, and the powers, rights, duties and liabilities of the Corporation and its officers, directors, employees and stockholders in connection therewith.

(b) Except as a Competing Entity may otherwise agree in writing with respect to it, such Competing Entity shall have the right to (i) engage in the same or similar business activities or lines of business as the Corporation and (ii) do business with any client or customer of the Corporation, and such Competing Entity shall have no duty not to engage in such business activities or do business with such clients and customers. No Competing Entity and no officer, director or employee thereof (except as provided in clauses (c) and (d) below), shall be liable to the Corporation or its stockholders for breach of any duty by reason of any such activities of such Competing Entity or of such person's participation therein. Except as a Competing Entity may otherwise agree in writing, in the event that such Competing Entity acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both such Competing Entity and the Corporation, such Competing Entity shall have no duty to communicate or present such corporate opportunity to the Corporation and shall not be liable to the Corporation or its stockholders for breach of any duty as a stockholder of the Corporation by reason of the fact that such Competing Entity pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person or entity, or does not present such corporate opportunity to the Corporation.

(c) In the event that a director, officer or employee of the Corporation who is also a director, officer or employee of a Competing Entity acquires knowledge of a potential

transaction or matter that may be a corporate opportunity for both the Corporation and such Competing Entity, such director or officer of the Corporation shall act in good faith in a manner consistent with the following policy:

(i) a corporate opportunity offered to any person who is an officer or employee (whether or not a director) of the Corporation and who is also a director but not an officer or employee of such Competing Entity shall belong to the Corporation, unless such opportunity is expressly offered to such person primarily in his or her capacity as a director of such Competing Entity, in which case such opportunity shall belong to such Competing Entity;

(ii) a corporate opportunity offered to any person who is a director but not an officer or employee of the Corporation and who is also an officer or employee (whether or not a director) of such Competing Entity shall belong to such Competing Entity, unless such opportunity is expressly offered to such person primarily in his or her capacity as a director of the Corporation, in which case such opportunity shall belong to the Corporation; and

(iii) a corporate opportunity offered to any other person who is either an officer or employee of both the Corporation and such Competing Entity or a director of both the Corporation and such Competing Entity (but not an officer or employee of either) shall belong to such Competing Entity or to the Corporation, as the case may be, if such opportunity is expressly offered to such person primarily in his or her capacity as an officer, employee or director of such Competing Entity or of the Corporation, respectively; otherwise, such opportunity shall belong to either such Competing Entity or the Corporation as a majority of the directors of the Corporation who are not officers or employees of either such Competing Entity or the Corporation or directors of such Competing Entity shall determine in their good faith judgment, taking into account all the facts and circumstances with respect to such opportunity.

(d) For the purposes of this Article VIII, "corporate opportunities" shall not include any business opportunities that the Corporation is not financially able to undertake, or that are, from their nature, not in the line of the Corporation's business or are of no practical advantage to it or that are ones in which the Corporation has no interest or reasonable expectancy. In addition, "corporate opportunities" shall not include any transactions pursuant to agreements to be entered into by the Corporation with one or more members of the R-Tech Group (each such agreement, as amended or modified, is referred to herein collectively as the "Agreements" and individually as the "Agreement"), it being acknowledged that the rights of the Corporation under any such Agreements shall be deemed for all purposes to be contractual rights and shall not be corporate opportunities of the Corporation for any purpose; provided, however, that the absence of any such Agreement, or the absence of any provisions in a Agreement relating to any particular transactions or types of transactions, shall not support any inferences or implication or have any effect whatsoever on transactions not explicitly covered by the Agreements.

(e) Any person or entity purchasing or otherwise acquiring any interest in any shares of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article VIII.

(f) For purposes of this Article VIII only, the "Corporation" shall mean the Corporation and each corporation, partnership, joint venture, association and other entity in which the Corporation beneficially owns (directly or indirectly) fifty percent (50%) or more of the outstanding voting power of such entity.

ARTICLE IX

(a) In anticipation that (i) the Corporation, on the one hand, and one or more members of the R-Tech Group, on the other hand, may enter into contracts or otherwise transact business with each other and that the Corporation may derive benefits therefrom and (ii) the

Corporation may from time to time enter into contractual, corporate or business relations with one or more of its directors, or one or more corporations, partnerships, associations or other organizations in which one or more of its directors have a financial interest or of which such director is an employee or director (collectively, together with its affiliates, "Related Entities"), the provisions of this Article IX are set forth to regulate and guide certain contractual relations and other business relations of the Corporation as they may involve members of the R-Tech Group or any other Related Entities and their respective officers and directors, and the powers, rights, duties and liabilities of the Corporation and its officers, directors and stockholders in connection therewith. The provisions of this Article IX are in addition to, and not in limitation of, the provisions of the Delaware General Corporation Law and the other provisions of this Amended and Restated Certificate of Incorporation. Any contract or business relation that does not comply with procedures set forth in this Article IX shall not by reason thereof be deemed void or voidable or result in any breach of any duty or the derivation of any improper personal benefit by any person but shall be governed by the provisions of this Amended and Restated Certificate of Incorporation, the by-laws of the Corporation, the Delaware General Corporation Law and other applicable law.

(b) No contract, agreement, arrangement or transaction between the Corporation, any member of the R-Tech Group or any other Related Entity or between the Corporation and one or more of the directors or officers of the Corporation, any member of the R-Tech Group or any other Related Entity shall be void or voidable solely for the reason that any member of the R-Tech Group or such other Related Entity or any one or more of the officers or directors of the Corporation, any member of the R-Tech Group or such other Related Entity are parties thereto, or solely because any such directors or officers are present at or participate in the meeting of the

Board of Directors or committee thereof which authorizes the contract, agreement, arrangement or transaction or solely because his, her or their votes are counted for such purposes, if:

(i) the material facts as to the contract, agreement, arrangement or transaction are disclosed or are known to the Board of Directors or the committee thereof that authorizes the contract, agreement, arrangement or transaction, and the Board of Directors or such committee in good faith authorizes, approves or ratifies the contract, agreement, arrangement or transaction by the affirmative vote of a majority of the disinterested directors on the Board of Directors or such committee, even though the disinterested directors be less than a quorum;

(ii) the material facts as to the contract, agreement, arrangement or transaction are disclosed or are known to the holders of the voting shares of the Corporation, and the contract, agreement, arrangement or transaction is specifically approved or ratified in good faith by a vote of the holders of a majority of the voting power of the then outstanding voting shares of the Corporation not owned by the respective member of the R-Tech Group or such other Related Entity, as the case may be, even though such other holders of the voting shares be less than a quorum;

(iii) such contract, agreement, arrangement or transaction is effected pursuant to, or consistent with, terms and conditions specified in any arrangements, standards or guidelines that are in good faith authorized, approved or ratified, after disclosure or knowledge of the material facts related thereto, by the affirmative vote of a majority of the disinterested directors on the Board of Directors or a committee thereof, even though the disinterested directors be less than a quorum, or by vote of the holders of a majority of the voting power of the then outstanding voting shares of the Corporation not owned by the respective member of the R-Tech Group or such other Related Entity, as the case may be, even though such other holders of

the voting shares be less than a quorum (such authorization, approval or ratification of such arrangements, standards or guidelines constituting or being deemed to constitute authorization, approval or ratification of such contract, agreement, arrangement or transaction); or

(iv) such contract, agreement, arrangement or transaction was fair to the Corporation.

In addition, each such contract, agreement, arrangement or transaction authorized, approved or effected, and each of such arrangements, standards or guidelines so authorized or approved, as described in (i), (ii) or (iii) above, shall be conclusively deemed to be fair to the Corporation and its stockholders; provided, however, that if such authorization or approval is not obtained, or such contract, agreement, arrangement or transaction is not so effected, no presumption shall arise that such contract, agreement, arrangement or transaction, or such arrangements, standards or guidelines, are not fair to the Corporation and its stockholders.

(c) Directors of the Corporation who are also directors or officers of a member of the R-Tech Group or any other Related Entity may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes, approves or ratifies any such contract, agreement, arrangement or transaction or any such arrangements, guidelines or standards. Voting shares owned by members of the R-Tech Group and any other Related Entities may be counted in determining the presence of a quorum at a meeting of stockholders that authorizes, approves or ratifies any such contract, agreement, arrangement or transaction or any such arrangements, guidelines or standards.

(d) Neither the members of the R-Tech Group nor any other Related Entity shall be liable to the Corporation or its stockholders for breach of any duty by reason of the fact that it in good faith takes any action or exercises any rights or gives or withholds any consent in

connection with any agreement or contract between it and the Corporation. No vote cast or other action taken by any person who is an officer, director or other representative of a member of the R-Tech Group or any other Related Entity, which vote is cast or action is taken by such person in his or her capacity as a director of the Corporation, shall constitute an action of or the exercise of a right by or a consent of the respective member of the R-Tech Group or such other Related Entity (as the case may be) for the purpose of any such agreement or contract.

(e) Any person or entity purchasing or otherwise acquiring any interest in any shares of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article IX.

(f) For purposes of this Article IX, any contract, agreement, arrangement or transaction with any corporation, partnership, joint venture, association or other entity in which the Corporation beneficially owns (directly or indirectly) fifty percent (50%) or more of the outstanding voting power, or with any officer or director thereof, shall be deemed to be a contract, agreement, arrangement or transaction with the Corporation.

ARTICLE X

(a) A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for the unlawful payment of dividends or unlawful stock repurchases under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. This Article X shall not eliminate or limit the liability of a director for any act of omission occurring prior to the effective date of this Article X.

(b) Each director or officer of the Corporation who was or is made a party or is threatened to be made a party to or is in any way involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding brought by or in the right of the Corporation to procure a judgment in its favor) (hereinafter a "proceeding"), including any appeal therefrom, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director, officer, employee, agent or fiduciary of the Corporation or a predecessor corporation or of a subsidiary of the Corporation or any such predecessor corporation, or is or was serving at the request of the Corporation or any such predecessor corporation, as a director, officer, manager, partner, trustee, employee, fiduciary or agent of another entity or enterprise, or by reason of anything done or not done in such capacity, shall be indemnified and held harmless by the Corporation, and the Corporation shall advance all expenses incurred by any such person in connection with any such proceeding prior to its final determination, to the fullest extent authorized by the Delaware General Corporation Law. In any proceeding against the Corporation to enforce these rights, such person shall be presumed to be entitled to indemnification, and the Corporation shall have the burden of proof to overcome that presumption. The rights to indemnification and advancement of expenses conferred by this Article XI shall be presumed to have been relied upon by directors and officers of the Corporation in serving or continuing to serve the Corporation and shall be enforceable as contract rights. Said rights shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled. The Corporation may, upon written demand presented by a director or officer of the Corporation or of a subsidiary of the Corporation, or by a person serving at the request of the Corporation as a director or officer of another entity or

enterprise, enter into contracts to provide such persons with specific rights to indemnification, which contracts may confer rights and protections to the maximum extent permitted by the Delaware General Corporation Law. The Corporation may create trust funds, grant security interests, obtain letters of credit or use other means to ensure payment of such amounts as may be necessary to perform the obligations provided for in this Article XI or in any such contract.

(c) Any repeal or modification of the foregoing provisions of this Article X by the stockholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification, including, without limitation, any contractual rights arising under or authorized by this Article X.

(d) In addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least 66-2/3% of the voting power of all of the then outstanding shares of the Common Stock of the Corporation voting together as a single class, shall be required to amend or repeal this Article X.

ARTICLE XI

The Corporation shall be entitled to treat the person in whose name any share is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, save as expressly provided by the laws of the United States of America or of the State of Delaware.

IN WITNESS WHEREOF, R-Tech Ueno (USA), Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by its duly authorized Chief Executive Officer effective as of the 1st day of December 2000.

/s/ Ryuji Ueno
Ryuji Ueno
Chief Executive Officer

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

R-TECH UENO (USA), INC.

R-Tech Ueno (USA), Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is R-Tech Ueno (USA), Inc. (the "Corporation"). The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 5, 1996.

2. This Amended and Restated Certificate of Incorporation has been duly adopted pursuant to Section 245, and in accordance with Section 242, of the General Corporation Law of the State of Delaware.

3. The text of the Certificate of Incorporation as heretofore amended or supplemented is hereby restated and further amended to read in its entirety as follows:

ARTICLE I

The name of the corporation is R-Tech Ueno (USA), Inc.

ARTICLE II

The address of the Corporation's registered office in Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, Delaware 19808. The name of the Corporation's registered agent at that address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

4.1 Class of Stock (a) The total number of shares of capital stock which the Corporation shall have authority to issue is one hundred ten thousand (110,000) shares, of which there shall be (a) one hundred thousand (100,000) shares of common stock, $.01 par value per share ("Common Stock"), consisting of (i) fifty thousand (50,000) shares designated as "Class A Common Stock" ("Class A Common Stock") and (ii) fifty thousand (50,000) shares designated as "Class B Common Stock" ("Class B Common Stock"), and (b) ten thousand (10,000) shares designated as Preferred Stock, $.01 par value per share ("Preferred Stock").

(b) The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all the then outstanding shares of Common Stock voting as a single class without the separate vote of the holders of any other class of stock.

4.2 Powers and Rights of Common Stock. The powers and rights of the Common Stock and the qualifications, limitations and restrictions thereof are as follows:

(a) Class A Common Stock. The shares of Class A Common Stock and shares of Class B Common Stock shall be identical in all respects and shall have equal rights and privileges except as set forth in Section 4.2(a) and Section 4.2(b). Upon the dissolution, liquidation or winding up of the Corporation, after any preferential amounts to be distributed to the holders of any other class or series of stock having a preference over the Class A Common Stock and Class B Common Stock then outstanding have been paid or declared and funds sufficient for the payment thereof in full set apart for payment, the holders of the Class A Common Stock and Class B Common Stock shall be entitled to receive pro rata all the remaining assets of the Corporation available for distribution to its stockholders.

(i) Dividends.

(A) Such dividends or distributions as may be determined by the Board of Directors of the Corporation from time to time may be declared and paid or made upon the Class A Common Stock out of any source at the time lawfully available for the payment of dividends, provided that (subject to subparagraph (B) and (C) below of this paragraph (a)(i)) identical dividends or distributions are declared and paid concurrently upon the Class B Common Stock. If dividends or distributions are declared and paid upon the Class B Common Stock (subject to subparagraphs (B) and (C) below of this paragraph (a)(i)) an identical dividend shall be declared and paid concurrently on the Class A Common Stock.

(B) No dividend may be declared and paid in Class A Common Stock unless the dividend is payable only to holders of Class A Common Stock and a dividend payable in Class B Common Stock is declared and paid concurrently in respect of outstanding shares of Class B Common Stock in the same number of shares of Class B Common Stock per outstanding share.

(C) If a dividend is declared and paid in Class B Common Stock in respect of outstanding shares of Class B Common Stock, then a dividend shall be declared and paid concurrently in shares of Class A Common Stock in respect of outstanding shares of Class A Common Stock so that each holder of outstanding shares of Class A Common Stock receives (on a per outstanding share basis) a total number of dividend shares of Class A Common Stock equal to the number of dividend shares of Class B Common Stock received (on a per outstanding share basis) by the holders of the outstanding shares of Class B Common Stock.

(ii) Stock Combinations and Subdivisions. The Class A Common Stock shall not be combined or subdivided unless at the same time there is a proportionate combination or subdivision of the Class B Common Stock. If the Class B Common Stock is combined or subdivided, a proportionate combination or subdivision of the Class A Common Stock shall be made at the same time.

(iii) Voting. The holders of Class A Common Stock shall have the voting rights set forth below:

(A) With respect to the election of Directors, the holders of Class A Common Stock voting as a separate class shall be entitled to elect that number of Directors which constitutes ten percent (10%) of the total membership of the Board of Directors, and if such ten percent (10%) is not a whole number, then the holders of Class A Common Stock will be entitled to elect the nearest higher whole number of directors which constitutes ten percent (10%) of such membership. Such election shall be from a slate of Director nominees separate from a slate of Director nominees from which holders of Class B Common Stock shall elect Directors. There shall be no cumulative voting for either holders of Class A Common Stock or holders of Class B Common Stock.

(B) The holders of Class A Common Stock will be entitled to vote as a separate class on the removal, with or without cause, of any Director elected by the holders of Class A Common Stock, provided that, to the extent permitted by applicable law, any Director may be removed for cause by the Board of Directors.

(C) Except as may otherwise be required by law, the holders of Class A Common Stock shall, in all matters not referred to in subparagraphs (A) or (B) of this paragraph (a)(iii) or in subparagraphs (A) or (B) of paragraph (b)(iii) of this Section 4.2,

vote together with the holders of Class B Common Stock as a single class, provided that the holders of Class A Common Stock will have one (1) vote for each share and the holders of Class B Common Stock shall have ten (10) votes for each share.

(D) Notwithstanding anything herein to the contrary, the holders of Class A Common Stock shall have exclusive voting power on all matters at any time when no shares of Class B Common Stock are issued and outstanding.

(b) Class B Common Stock.

(i) Dividends and Distributions. Subject to the provisions of Section 4.2(a)(i), such dividends and distributions may be declared and paid or made upon the Class B Common Stock as may be permitted by applicable law.

(ii) Stock Combinations and Subdivisions. Subject to the provisions of Section 4.2(a)(ii), the Class B Common Stock may be combined or subdivided in such manner as may be permitted by applicable law.

(iii) Voting. Subject to the provisions of this Section 4.2(b)(iii), the Class B Common Stock shall have ten (10) votes per share on all matters that may be submitted to a vote of the stockholders. Without limiting the generality or the foregoing:

(A) With respect to the election of Directors, the holders of Class B Common Stock shall be entitled, voting as a separate class, to elect the remaining Directors not subject to the priority rights of the holders of the Class A Common Stock set forth in Section 4.2(a)(iii); and

(B) The holders of the Class B Common Stock will be entitled to vote as a separate class on the removal, with or without cause, of any Director who was elected by the holders of the Class B Common Stock, provided that, to the extent

permitted by applicable law, any Director may be removed for cause by the Board of Directors.

(iv) Conversion.

(A) Each holder of record of Class B Common Stock may, in such holder's sole discretion and at such holder's option, convert any whole number or all of such holder's shares of Class B Common Stock into fully paid and nonassessable shares of Class A Common Stock at the rate (subject to adjustment as hereinafter provided) of one (1) share of Class A Common Stock for each share of Class B Common Stock surrendered for conversion. Any such conversion may be effected by any holder of Class B Common Stock surrendering such holder's certificate or certificates for the shares of Class B Common Stock to be converted, duly endorsed, at the office of the Corporation or any transfer agent for the Class B Common Stock, together with a written notice to the Corporation at such office that such holder elects to convert all or a specified number of shares of Class B Common Stock and stating the name or names in which such holder desires the certificate or certificates for such shares of Class A Common Stock to be issued. Promptly thereafter, the Corporation shall issue and deliver to such holder or such holder's nominee or nominees, a certificate or certificates for the number of shares of Class A Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made at the close of business on the date of such surrender and the person or persons entitled to receive the shares of Class A Common Stock issuable on such conversion shall be treated for all purposes as the record holder or holders of such shares of Class A Common Stock on that date.

(B) Any shares of Class B Common Stock surrendered for conversion or exchanged, redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the surrender or acquisition thereof and shall not be reissued.

(C) The number of shares of Class A Common Stock into which the shares of Class B Common Stock may be converted shall be subject to adjustment from time to time in the event of any capital reorganization, reclassification of stock of the Corporation, consolidation or merger of the Corporation with or into another corporation, or sale or conveyance of all or substantially all of the assets of the Corporation to another corporation or other entity or person. Each share of Class B Common Stock shall thereafter be convertible into such kind and amount of securities or other assets, or both, as are issuable or distributable in respect of the number of shares of Class A Common Stock into which each share of Class B Common Stock is convertible immediately prior to such reorganization, reclassification, consolidation, merger, sale or conveyance. In any such case, appropriate adjustments shall be made by the Board of Directors of the Corporation in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of Class B Common Stock to the end that the provisions set forth herein (including provisions for adjustment of the conversion rate) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other assets thereafter deliverable on conversion of the Class B Common Stock.

(D) The Corporation shall, at all times, reserve and keep available out of the authorized and unissued shares of Class A Common Stock, solely for the purpose of effecting the conversion of the outstanding Class B Common Stock, such number of

shares of Class A Common Stock as shall from time to time be sufficient to effect conversion of all outstanding Class B Common Stock and if, at any time, the number of authorized and unissued shares of Class A Common Stock shall not be sufficient to effect conversion of the then outstanding Class B Common Stock, the Corporation shall take such corporate action as may be necessary to increase the number of authorized and unissued shares of Class A Common Stock to such number as shall be sufficient for such purposes.

(v) Transfer. The Class B Common Stock shall not be transferable except upon conversion, provided, however, that said restrictions on transfer shall not apply with respect to any transfer by a holder of Class B Common Stock (i) in the case of a holder that is an individual, pursuant to applicable laws of descent and distribution or among such holder's Family Group or (ii) in the case of a holder that is an entity, among its Affiliates. For purposes of this Agreement, "Family Group" means a stockholder's descendants (whether natural or adopted) together with such stockholder's spouse, parents, siblings and their respective descendants (whether natural or adopted) and any trust solely for the benefit of the stockholder and/or such other persons and "Affiliate" of a stockholder means any other person, directly or indirectly controlling, controlled by or under common control with such stockholder and any partner of a stockholder which is a partnership and any member of a stockholder which is a limited liability company.

4.3 Preferred Stock. The Board of Directors of the Corporation is authorized to issue shares of Preferred Stock from time to time in one or more series for such consideration as it may determine; to fix or alter the voting powers, designations, preferences and rights, including but not limited to dividend rights, dividend rate, conversion rights, and terms of

redemption (including sinking fund provisions), redemption price or prices and liquidation preferences, or any of them, as to wholly unissued series of shares of Preferred Stock; and to fix the number of shares constituting any such series and designation thereof, or any of them, and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of such series be so decreased, the shares constituting such decrease shall resume the status, which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

The Corporation is to have a perpetual existence.

ARTICLE VI

In furtherance of and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the by-laws of the Corporation, subject to any restrictions and limitations set forth therein.

ARTICLE VII

Pursuant to Section 211(e) of the Delaware General Corporation Law, the Directors of the Corporation shall not be required to be elected by written ballots.

ARTICLE VIII

The Corporation is or will be owned by S&R Technology Holdings, LLC Sucampo, AG and R-Tech Ueno, Ltd., (referred to, with their affiliates, as the “R-Tech Group”) and perhaps certain other entities that may engage in the same or similar activities or lines of business as the Corporation (each such entity, with its affiliates, are referred to collectively as “Competing Entities” and individually as a “Competing Entity”). In anticipation that the Corporation and the Competing Entities may engage in the same or similar activities or lines of

business and have an interest in the same areas of corporate opportunities, and in recognition of (i) the benefits to be derived by the Corporation through its continued contractual, corporate and business relations with the Competing Entities (including service of officers, directors and employees thereof as directors of the Corporation) and (ii) the difficulties attendant to any director, who desires and endeavors fully to satisfy such director's fiduciary duties, in determining the full scope of such duties in any particular situation, the provisions of this Article VIII are set forth to regulate, define and guide the conduct of certain affairs of the Corporation as they may involve any Competing Entity and their officers, directors and employees, and the powers, rights, duties and liabilities of the Corporation and its officers, directors, employees and stockholders in connection therewith.

(a) Except as a Competing Entity may otherwise agree in writing with respect to it, such Competing Entity shall have the right to (i) engage in the same or similar business activities or lines of business as the Corporation and (ii) do business with any client or customer of the Corporation, and such Competing Entity shall have no duty not to engage in such business activities or do business with such clients and customers. No Competing Entity and no officer, director or employee thereof (except as provided in clauses (c) and (d) below), shall be liable to the Corporation or its stockholders for breach of any duty by reason of any such activities of such Competing Entity or of such person's participation therein. Except as a Competing Entity may otherwise agree in writing, in the event that such Competing Entity acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both such Competing Entity and the Corporation, such Competing Entity shall have no duty to communicate or present such corporate opportunity to the Corporation and shall not be liable to the Corporation or its stockholders for breach of any duty as a stockholder of the Corporation by reason of the fact that

such Competing Entity pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person or entity, or does not present such corporate opportunity to the Corporation.

(b) In the event that a director, officer or employee of the Corporation who is also a director, officer or employee of a Competing Entity acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both the Corporation and such Competing Entity, such director or officer of the Corporation shall act in good faith in a manner consistent with the following policy:

(i) a corporate opportunity offered to any person who is an officer or employee (whether or not a director) of the Corporation and who is also a director but not an officer or employee of such Competing Entity shall belong to the Corporation, unless such opportunity is expressly offered to such person primarily in his or her capacity as a director of such Competing Entity, in which case such opportunity shall belong to such Competing Entity;

(ii) a corporate opportunity offered to any person who is a director but not an officer or employee of the Corporation and who is also an officer or employee (whether or not a director) of such Competing Entity shall belong to such Competing Entity, unless such opportunity is expressly offered to such person primarily in his or her capacity as a director of the Corporation, in which case such opportunity shall belong to the Corporation; and

(iii) a corporate opportunity offered to any other person who is either an officer or employee of both the Corporation and such Competing Entity or a director of both the Corporation and such Competing Entity (but not an officer or employee of either) shall

belong to such Competing Entity or to the Corporation, as the case may be, if such opportunity is expressly offered to such person primarily in his or her capacity as an officer, employee or director of such Competing Entity or of the Corporation, respectively; otherwise, such opportunity shall belong to either such Competing Entity or the Corporation as a majority of the directors of the Corporation who are not officers or employees of either such Competing Entity or the Corporation or directors of such Competing Entity shall determine in their good faith judgment, taking into account all the facts and circumstances with respect to such opportunity.

(c) For the purposes of this Article VIII, "corporate opportunities" shall not include any business opportunities that the Corporation is not financially able to undertake, or that are, from their nature, not in the line of the Corporation's business or are of no practical advantage to it or that are ones in which the Corporation has no interest or reasonable expectancy. In addition, "corporate opportunities" shall not include any transactions pursuant to agreements to be entered into by the Corporation with one or more members of the R-Tech Group (each such agreement, as amended or modified, is referred to herein collectively as the "Agreements" and individually as the "Agreement"), it being acknowledged that the rights of the Corporation under any such Agreements shall be deemed for all purposes to be contractual rights and shall not be corporate opportunities of the Corporation for any purpose; provided, however, that the absence of any such Agreement, or the absence of any provisions in a Agreement relating to any particular transactions or types of transactions, shall not support any inferences or implication or have any effect whatsoever on transactions not explicitly covered by the Agreements.

(d) Any person or entity purchasing or otherwise acquiring any interest in any shares of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article VIII.

(e) For purposes of this Article VIII only, the "Corporation" shall mean the Corporation and each corporation, partnership, joint venture, association and other entity in which the Corporation beneficially owns (directly or indirectly) fifty percent (50%) or more of the outstanding voting power of such entity.

ARTICLE IX

(a) In anticipation that (i) the Corporation, on the one hand, and one or more members of the R-Tech Group, on the other hand, may enter into contracts or otherwise transact business with each other and that the Corporation may derive benefits therefrom and (ii) the Corporation may from time to time enter into contractual, corporate or business relations with one or more of its directors, or one or more corporations, partnerships, associations or other organizations in which one or more of its directors have a financial interest or of which such director is an employee or director (collectively, together with its affiliates, "Related Entities"), the provisions of this Article IX are set forth to regulate and guide certain contractual relations and other business relations of the Corporation as they may involve members of the R-Tech Group or any other Related Entities and their respective officers and directors, and the powers, rights, duties and liabilities of the Corporation and its officers, directors and stockholders in connection therewith. The provisions of this Article IX are in addition to, and not in limitation of, the provisions of the Delaware General Corporation Law and the other provisions of this Amended and Restated Certificate of Incorporation. Any contract or business relation that does not comply with procedures set forth in this Article IX shall not by reason thereof be deemed void or voidable or result in any breach of any duty or the derivation of any improper personal

benefit by any person but shall be governed by the provisions of this Amended and Restated Certificate of Incorporation, the by-laws of the Corporation, the Delaware General Corporation Law and other applicable law.

(b) No contract, agreement, arrangement or transaction between the Corporation, any member of the R-Tech Group or any other Related Entity or between the Corporation and one or more of the directors or officers of the Corporation, any member of the R-Tech Group or any other Related Entity shall be void or voidable solely for the reason that any member of the R-Tech Group or such other Related Entity or any one or more of the officers or directors of the Corporation, any member of the R-Tech Group or such other Related Entity are parties thereto, or solely because any such directors or officers are present at or participate in the meeting of the Board of Directors or committee thereof which authorizes the contract, agreement, arrangement or transaction or solely because his, her or their votes are counted for such purposes, if:

(i) the material facts as to the contract, agreement, arrangement or transaction are disclosed or are known to the Board of Directors or the committee thereof that authorizes the contract, agreement, arrangement or transaction, and the Board of Directors or such committee in good faith authorizes, approves or ratifies the contract, agreement, arrangement or transaction by the affirmative vote of a majority of the disinterested directors on the Board of Directors or such committee, even though the disinterested directors be less than a quorum;

(ii) the material facts as to the contract, agreement, arrangement or transaction are disclosed or are known to the holders of the voting shares of the Corporation, and the contract, agreement, arrangement or transaction is specifically approved or ratified in

good faith by a vote of the holders of a majority of the voting power of the then outstanding voting shares of the Corporation not owned by the respective member of the R-Tech Group or such other Related Entity, as the case may be, even though such other holders of the voting shares be less than a quorum;

(iii) such contract, agreement, arrangement or transaction is effected pursuant to, or consistent with, terms and conditions specified in any arrangements, standards or guidelines that are in good faith authorized, approved or ratified, after disclosure or knowledge of the material facts related thereto, by the affirmative vote of a majority of the disinterested directors on the Board of Directors or a committee thereof, even though the disinterested directors be less than a quorum, or by vote of the holders of a majority of the voting power of the then outstanding voting shares of the Corporation not owned by the respective member of the R-Tech Group or such other Related Entity, as the case may be, even though such other holders of the voting shares be less than a quorum (such authorization, approval or ratification of such arrangements, standards or guidelines constituting or being deemed to constitute authorization, approval or ratification of such contract, agreement, arrangement or transaction); or

(iv) such contract, agreement, arrangement or transaction was fair to the Corporation.

In addition, each such contract, agreement, arrangement or transaction authorized, approved or effected, and each of such arrangements, standards or guidelines so authorized or approved, as described in (i), (ii) or (iii) above, shall be conclusively deemed to be fair to the Corporation and its stockholders; provided, however, that if such authorization or approval is not obtained, or such contract, agreement, arrangement or transaction is not so effected, no

presumption shall arise that such contract, agreement, arrangement or transaction, or such arrangements, standards or guidelines, are not fair to the Corporation and its stockholders.

(c) Directors of the Corporation who are also directors or officers of a member of the R-Tech Group or any other Related Entity may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes, approves or ratifies any such contract, agreement, arrangement or transaction or any such arrangements, guidelines or standards. Voting shares owned by members of the R-Tech Group and any other Related Entities may be counted in determining the presence of a quorum at a meeting of stockholders that authorizes, approves or ratifies any such contract, agreement, arrangement or transaction or any such arrangements, guidelines or standards.

(d) Neither the members of the R-Tech Group nor any other Related Entity shall be liable to the Corporation or its stockholders for breach of any duty by reason of the fact that it in good faith takes any action or exercises any rights or gives or withholds any consent in connection with any agreement or contract between it and the Corporation. No vote cast or other action taken by any person who is an officer, director or other representative of a member of the R-Tech Group or any other Related Entity, which vote is cast or action is taken by such person in his or her capacity as a director of the Corporation, shall constitute an action of or the exercise of a right by or a consent of the respective member of the R-Tech Group or such other Related Entity (as the case may be) for the purpose of any such agreement or contract.

(e) Any person or entity purchasing or otherwise acquiring any interest in any shares of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article IX.

(f) For purposes of this Article IX, any contract, agreement, arrangement or transaction with any corporation, partnership, joint venture, association or other entity in which the Corporation beneficially owns (directly or indirectly) fifty percent (50%) or more of the outstanding voting power, or with any officer or director thereof, shall be deemed to be a contract, agreement, arrangement or transaction with the Corporation.

ARTICLE X

(a) A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for the unlawful payment of dividends or unlawful stock repurchases under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. This Article X shall not eliminate or limit the liability of a director for any act of omission occurring prior to the effective date of this Article X.

(b) Each director or officer of the Corporation who was or is made a party or is threatened to be made a party to or is in any way involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding brought by or in the right of the Corporation to procure a judgment in its favor) (hereinafter a "proceeding"), including any appeal therefrom, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director, officer, employee, agent or fiduciary of the Corporation or a predecessor corporation or of a subsidiary of the Corporation or any such predecessor corporation, or is or was serving at the request of the Corporation or any such predecessor

corporation, as a director, officer, manager, partner, trustee, employee, fiduciary or agent of another entity or enterprise, or by reason of anything done or not done in such capacity, shall be indemnified and held harmless by the Corporation, and the Corporation shall advance all expenses incurred by any such person in connection with any such proceeding prior to its final determination, to the fullest extent authorized by the Delaware General Corporation Law. In any proceeding against the Corporation to enforce these rights, such person shall be presumed to be entitled to indemnification, and the Corporation shall have the burden of proof to overcome that presumption. The rights to indemnification and advancement of expenses conferred by this Article XI shall be presumed to have been relied upon by directors and officers of the Corporation in serving or continuing to serve the Corporation and shall be enforceable as contract rights. Said rights shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled. The Corporation may, upon written demand presented by a director or officer of the Corporation or of a subsidiary of the Corporation, or by a person serving at the request of the Corporation as a director or officer of another entity or enterprise, enter into contracts to provide such persons with specific rights to indemnification, which contracts may confer rights and protections to the maximum extent permitted by the Delaware General Corporation Law. The Corporation may create trust funds, grant security interests, obtain letters of credit or use other means to ensure payment of such amounts as may be necessary to perform the obligations provided for in this Article XI or in any such contract.

(c) Any repeal or modification of the foregoing provisions of this Article X by the stockholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification, including, without limitation, any contractual rights arising under or authorized by this Article X.

(d) In addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least 66-2/3% of the voting power of all of the then outstanding shares of the Common Stock of the Corporation voting together as a single class, shall be required to amend or repeal this Article X.

ARTICLE XI

The Corporation shall be entitled to treat the person in whose name any share is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, save as expressly provided by the laws of the United States of America or of the State of Delaware.

IN WITNESS WHEREOF, R-Tech Ueno (USA), Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by its duly authorized Chief Executive Officer effective as of the 30th day of September 2001.

/s/ Ryuji Ueno
Ryuji Ueno
Chief Executive Officer

CERTIFICATE OF AMENDMENT
TO THE
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
R-TECH UENO (USA), INC.

The undersigned, an officer of R-Tech Ueno (USA), Inc., a corporation duly organized under the laws of the State of Delaware, hereby certifies that:

1. The name of the corporation is R-Tech Ueno (USA), Inc. (the "Corporation").

2. The Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by eliminating Article I thereof and by substituting for said Article I the following new Article I:

"ARTICLE I

The name of the corporation is Sucampo Pharmaceuticals, Inc. (the "Corporation")."

3. The amendment herein certified has been duly adopted in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

4. The effective time of the amendment herein certified shall be the date of filing this Certificate of Amendment.

Signed on this 4th day of January, 2002.

/s/ Ryuji Ueno
Dr. Ryuji Ueno
Chief Executive Officer

CERTIFICATE OF AMENDMENT
TO THE
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
SUCAMPO PHARMACEUTICALS, INC.

The undersigned, an officer of Sucampo Pharmaceuticals, Inc., a corporation duly organized under the laws of the State of Delaware, hereby certifies that:

1. The name of the corporation is Sucampo Pharmaceuticals, Inc. (the "Corporation").

2. The Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by eliminating Section 4.2(b)(v) thereof and by substituting for said Section 4.2(b)(v) the following new Section 4.2(b)(v):

"(v) Transfer. The Class B Common Stock shall not be transferable except upon conversion; provided, however, that said restrictions on transfer shall not apply with respect to any transfer by a holder of Class B Common Stock (i) in the case of a holder that is an individual, to any member of such holder's Family Group, (ii) in the case of a holder that is an entity, to any of its Affiliates or (iii) to any other holder of Class B Common Stock or any of such other holder's Family Group (in the case of an individual) or Affiliates (in the case of an entity) (any person referred to in clauses (i), (ii) or (iii), a "Permitted Transferee"). For purposes of this Agreement, "Family Group" means a stockholder's lineal descendants (whether natural or adopted) together with such stockholder's spouse, parents, siblings and their respective descendants (whether natural or adopted) and the spouse of any such lineal descendant and the trustee of any inter vivos or testamentary trust for the primary benefit of the stockholder and/or such other persons, and "Affiliate" of a stockholder means any other person or entity, directly or indirectly controlling, controlled by or under common control with such stockholder and any partner of a stockholder which is a partnership and any member of a stockholder which is a limited liability company. For purposes of determining who is an Affiliate, the stock holdings of Dr. Ryuji Ueno and Dr. Sachiko Kuno shall be aggregated. In the event that any Class B Common Stock is transferred by operation of law or otherwise to a person other than a Permitted Transferee, the transferee of such Class B Common Stock shall be deemed to have elected to convert such Class B Common Stock into Class A Common Stock immediately prior to such transfer as provided in Section 4.2(b)(iv)(A), and such Class B Common Stock shall automatically be so converted in accordance with the terms of Section 4.2(b)(iv) without any additional action on the part of the holder of such Class B Common Stock. Upon any such automatic conversion, the holder of the shares of Class B Common Stock so converted shall immediately surrender any certificates representing such shares, duly endorsed, to the Corporation."

3. The amendment herein certified has been duly adopted in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

4. The effective time of the amendment herein certified shall be the date of filing this Certificate of Amendment.

Signed on this 26th day of June, 2002.

/s/ Ryuji Ueno
Dr. Ryuji Ueno
Chief Executive Officer

CERTIFICATE OF AMENDMENT
OF THE
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
SUCAMPO PHARMACEUTICALS, INC.

The undersigned, an officer of Sucampo Pharmaceuticals, Inc., a corporation duly organized under the laws of the State of Delaware, hereby certifies that:

1. The name of the corporation is Sucampo Pharmaceuticals, Inc. (the "Corporation").

2. The Amended and Restated certificate of Incorporation of the Corporation is hereby amended by striking out Article IV, Section 4.1 thereof and by substituting in lieu of said Article IV, Section 4.1 of the following new Article IV, Section 4.1:

"Article IV

4.1 Class of Stock.

(a) The total number of shares of capital stock which the Corporation shall have authority to issue is ten million ten thousand (10,010,000) shares, of which there shall be (a) ten million (10,000,000) shares of common stock, $.01 par value per share ("Common Stock"), consisting of (i) five million (5,000,000) shares designated as "Class A Common Stock" ("Class A Common Stock") and (ii) five million (5,000,000) shares designated as "Class B Common Stock" ("Class B Common Stock"), and (b) ten thousand (10,000) shares designated as Preferred Stock, $.01 par value per share ("Preferred Stock").

(b) The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all the then outstanding shares of Common Stock and Preferred Stock, voting as a single class without the separate vote of the holders of any other class of stock."

Simultaneously with time of the filing with the Secretary of State of a Certificate of Amendment on the date hereof (the "Effective Time"), (i) each share of Class A Common Stock of the Corporation issued and outstanding immediately prior thereto (the "Old Class A Common Stock") shall automatically and without action on the part of the holder thereof be converted into one hundred shares of Class A Common Stock of the Corporation, $0.01 par value (the "new Class A Common Stock"), and (ii) each share of Class B Common Stock of the Corporation issued and outstanding immediately prior thereto (the "Old Class B Common Stock" and together with the Old Class A Common Stock, the "Old Common Stock") shall automatically and without action on the part of the holder thereof be converted into one hundred shares of Class B Common Stock of the Corporation, $0.01 par value (the "new Class B Common Stock" and together with the New Class A Common Stock, the "New Common Stock"). Each holder of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Old Common Stock (the "Old Certificates," whether one or more) shall be entitled to receive, upon surrender for cancellation of such Old Certificates to the Corporation, a certificate or certificates (the "New Certificates," whether one or more) representing the number

of shares of New Common Stock into which and for which the shares of Old Common Stock formerly represented by such Old Certificates so surrendered are converted under the terms hereof. From and after the Effective Time, the Old Certificates shall represent only the right to receive New Certificates pursuant to the provisions hereof.

3. The Amendment herein certified has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

4. The effective time of the amendment herein certified shall be the date of filing of this Certificate of Amendment.

Signed on this 7th day of July 2003.

/s/ Ryuji Ueno

Dr. Ryuji Ueno
Chief Executive Officer

Exhibit 3.3

BY-LAWS

OF

SUCAMPO PHARMACEUTICALS, INC.

ARTICLE I

Stockholders' Meetings

1. Places of meetings. All meetings of stockholders shall be held at such place or places in or outside of the State of Delaware as the board of directors may from time to time determine or as may be designated in the notice of meeting or waiver of notice thereof, subject to any provisions of the laws of the State of Delaware.

2. Annual meetings. Unless otherwise determined from time to time by the board of directors, the annual meeting of stockholders shall be held each year for the election of directors and the transaction of such other business as may properly come before the meeting within 120 days of the fiscal year end of the corporation of each year commencing at some time between 10 A.M. and 3 P.M., if not a legal holiday, and if such day is a legal holiday, then the annual meeting shall be held on the day following at the same time. If the annual meeting is not held on the date designated, it may be held as soon thereafter as convenient and shall be called the annual meeting. Written notice of the time and place of the annual meeting shall be given by mail to each stockholder entitled to vote at his address as it appears on the records of the corporation not less than the minimum nor more than the maximum number of days permitted under the laws of the State of Delaware prior to the scheduled date thereof, unless such notice is waived as provided by Article VIII of these By-Laws.

3. Special meetings. A special meeting of stockholders may be called at any time by order of the board of directors or the executive committee and shall be called by the president or secretary or an assistant secretary at the written request of the holders of at least 50% of the total voting power stating the specific purpose or purposes thereof. Written notice of the time, place and specific purposes of such meetings shall be given by mail to each stockholder entitled to vote thereat at his address as it appears on the records of the corporation not less than the minimum nor more than the maximum number of days prior to the scheduled date thereof permitted under the laws of the State of Delaware, unless such notice is waived as provided in Article VIII of these By-laws.

4. Meetings without notice. Meetings of the stockholders may be held at any time without notice when all the stockholders entitled to vote thereat are present in person or by proxy.

5. Voting. At all meetings of stockholders, each stockholder entitled to vote on the record date as determined under Article V Section 3 of these By-Laws or if not so determined as prescribed under the laws of the State of Delaware shall be entitled to one vote for each share of stock standing on record in his name, subject to any restrictions or qualifications set forth in the Certificate of Incorporation or any amendment thereto.

6. Quorum. At any stockholders' meeting, a majority of the voting power thereat, present in person or by proxy, shall constitute a quorum, but a smaller interest may adjourn any meeting from time to time, and the meeting may be held as adjourned without further notice, subject to such limitation as may be imposed under the laws of the State of Delaware. When a quorum is present at any meeting, a majority of the voting power present thereat shall decide any question brought before such meeting unless the question is one upon which a different vote is required by express provision of the laws of the State of Delaware, the Certificate of Incorporation or these By-Laws, in which case such express provision shall govern.

7. List of stockholders. At least ten days before every meeting, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of and the number of shares registered in the name of each stockholder, shall be prepared by the secretary or the transfer agent in charge of the stock ledger of the corporation. Such list shall be open for examination by any stockholder as required by the laws of the State of Delaware. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine such list or the books of the corporation or to vote in person or by proxy at such meeting.

8. Consents in lieu of meeting. Unless otherwise provided in the Certificate of Incorporation or any amendment thereto or by the laws of the State of Delaware, any action required by the laws of the State of Delaware to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if: (i) a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than a minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted; and (ii) prompt notice of the taking of such action by less than unanimous written consent is given to the other stockholders to the extent and in the manner required by the laws of Delaware.

ARTICLE II

Board of Directors

1. Number and qualification. A board of directors shall be elected at each annual meeting of stockholders, each director so elected to serve until the election and qualification of his successor or until his earlier resignation or removal as provided in these By-Laws. The initial number of directors shall be such as may be determined by the incorporator(s) unless the initial directors are named in the Certificate of Incorporation, and thereafter the number of directors shall be such as may be determined from time to time by the stockholders, or by the board of directors, but in no event shall the number be less than the minimum authorized under the laws of the State of Delaware. In case of any increase in the number of directors between elections by the stockholders, the additional directorships shall be considered vacancies and shall be filled in the manner prescribed in Article IV of these By-Laws. Directors need not be stockholders. The initial board of directors shall be elected by the incorporators, unless such directors are named in the Certificate of Incorporation.

2. Powers. The business and affairs of the corporation shall be carried on by or under the direction of the board of directors, which shall have all the powers authorized by the laws of the State of Delaware, subject to such limitations as may be provided by the Certificate of Incorporation or these By-laws.

3. Compensation. The board of directors may from time to time by resolution authorize the payment of fees or other compensation to the directors for services as such to the corporation, including, but not limited to, fees for attendance at all meetings of the board or of the executive or other committees, and determine the amount of such fees and compensation. Directors shall in any event be paid their traveling expenses for attendance at all meetings of the board or of the executive or other committees. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor in amounts authorized or otherwise approved from time to time by the board or the executive committee.

4. Meetings and quorum. Meetings of the board of directors may be held either in or outside of the State of Delaware. A quorum shall be a majority of the then authorized number of directors, but not less than two directors unless a board of one director is authorized under the laws of the State of Delaware in which event one director shall constitute a quorum. A director will be considered present at a meeting, even though not physically present, to the extent and in the manner authorized by the laws of the State of Delaware.

The board of directors elected at any annual stockholders' meeting shall, at the close of that meeting and without further notice if a quorum of directors be then present or as soon thereafter as may be convenient, hold a meeting for the election of officers and the transaction of any other business. At such meeting they shall elect a president, a secretary and a treasurer, and such other officers as they may deem proper, none of whom except the chairman of the board, if elected, need be members of the board of directors.

The board of directors may from time to time provide for the holding of regular meetings with or without notice and may fix the times and places at which such meetings are to be held. Meetings other than regular meetings may be called at any time by the president or the chairman of the board and must be called by the president or by the secretary or an assistant secretary upon the request of any director.

Notice of each meeting, other than a regular meeting (unless required by the board of directors), shall be given to each director by mailing the same to each director at his residence or business address at least two days before the meeting or by delivering the same to him personally or by electronic mail or by telephone or telegraph at least one day before the meeting unless, in case of exigency, the chairman of the board, the president or the secretary shall prescribe a shorter notice to be given personally or by telephone, telegraph, cable, electronic mail or wireless to all or any one or more of the directors at their respective residences or places of business.

Notice of any meeting shall state the time and place of such meeting, but need not state the purposes thereof unless otherwise required by the laws of the State of Delaware, the certificate of incorporation, these By-Laws or the board of directors.

5. Executive Committee. The board of directors may by resolution passed by a majority of the whole board provide for an executive committee of two or more directors and shall elect the members thereof to serve during the pleasure of the board and may designate one of such members to act as chairman.

The board may at any time change the membership of the executive committee, fill vacancies in it, designate alternate members to replace any absent or disqualified members at any meeting of the committee, or dissolve it.

During the intervals between the meetings of the board of directors, the executive committee shall possess and may exercise any or all of the powers of the board of directors in the management or direction of the business and affairs of the corporation and under these By-Laws to the extent authorized by resolution adopted by a majority of the whole board of directors and subject to such limitations as may be imposed by the laws of the State of Delaware.

The executive committee may determine its rules of procedure and the notice to be given of its meetings, and it may appoint such committees and assistants as it shall from time to time deem necessary. A majority of the members of the committee shall constitute a quorum.

6. Other committees. The board of directors may by resolution provide for such other committees as it deems desirable and may discontinue the same at its pleasure. Each such committee shall have the powers and perform such duties, not inconsistent with law, as may be assigned to it by the board.

7. Conference Telephone Meetings. Any one or more members of the board or any committee thereof may participate in meetings by means of a conference telephone or similar communication equipment.

8. Action without meetings. Any action required or permitted to be taken at any meeting of the board of directors or any committee thereof may be taken without a meeting to the extent and in the manner authorized by the laws of the State of Delaware.

ARTICLE III

Officers

1. Titles and election. The officers of the corporation shall be the president, a secretary and a treasurer, who shall initially be elected as soon as convenient by the board of directors and thereafter, in the absence of earlier resignations or removals, shall be elected at the first meeting of the board following any annual stockholders' meeting, each of whom shall hold office at the pleasure of the board except as may otherwise be approved by the board or executive committee, or until his earlier resignation, removal under these By-Laws or other termination of his employment. Any person may hold more than one office if the duties can be consistently performed by the same person, to the extent permitted by the laws of the State of Delaware.

The board of directors, in its discretion, may also at any time elect or appoint a chairman of the board of directors, who shall be a director, and one or more vice presidents, assistant secretaries and assistant treasurers and such other officers as it may deem advisable, each of whom shall hold office at the pleasure of the board, except as may otherwise be approved by the board or executive committee, or until his earlier resignation, removal or other termination of employment, and shall have such authority and shall perform such duties as shall be prescribed or determined from time to time by the board or in case of officers other than the chairman of the board, if not so prescribed or determined by the board, as the president or the then senior executive officer may prescribe or determine. The board of directors may require any officer or other employee or agent to give bond for the faithful performance of his duties in such form and with such sureties as the board may require.

2. Duties. Subject to such extension, limitations, and other provisions as the board of directors or these By-Laws may from time to time prescribe or determine, the following officers shall have the following powers and duties:

(a) Executive Chair. The executive chair, when present, shall preside at all meetings of the stockholders and of the board of directors and shall have such powers and perform such duties as the board of directors may prescribe from time to time.

(b) Chief Executive Officer. Subject to the board of directors and the provisions of these By-Laws, the chief executive officer of the Corporation, who shall also be the president, shall exercise the powers and authority and perform all of the duties commonly incident to his office, shall in the absence of the chairman of the board preside at all meetings of the stockholders and of the board of directors if he is a director, and shall perform such other duties as the board of directors or the executive committee shall specify from time to time. The chief executive officer, the chief operating officer or a vice president, unless some other person is thereunto specifically authorized by the board of directors or executive committee, shall sign all bonds, debentures, promissory notes, deeds and contracts of the corporation.

(c) Chief Operating Officer. The chief operating officer shall perform such duties as may be assigned from time to time by the board of directors or by the chief executive officer if the board does not do so. In the absence or disability of the chief executive officer, the chief operating officer may, unless otherwise determined by the board, exercise the powers and perform the duties pertaining to the office of the chief executive officer.

(d) Vice President. The vice president or vice presidents shall perform such duties as may be assigned to them from time to time by the board of directors or by the chief executive officer if the board does not do so. In the absence or disability of the chief executive officer and the chief operating officer, the vice presidents in order of seniority may, unless otherwise determined by the board, exercise the powers and perform the duties pertaining to the office of president, except that if one or more executive vice presidents has been elected or appointed, the person holding such office in order of seniority shall exercise the powers and perform the duties of the office of president.

(e) Secretary. The secretary or in his absence an assistant secretary shall keep the minutes of all meetings of stockholders and of the board of directors, give and serve all notices,

attend to such correspondence as may be assigned to him, keep in safe custody the seal of the corporation, and affix such seal to all such instruments properly executed as may require it, and shall have such other duties and powers as may be prescribed or determined from time to time by the board of directors or by the president if the board does not do so.

(f) Treasurer. The treasurer, subject to the order of the board of directors, shall have the care and custody of the moneys, funds, valuable papers and documents of the corporation (other than his own bond, if any, which shall be in the custody of the president), and shall have, under the supervision of the board of directors, all the powers and duties commonly incident to his office. He shall deposit all funds of the corporation in such bank or banks, trust company or trust companies, or with such firm or firms doing a banking business as may be designated by the board of directors or by the president if the board does not do so. He may endorse for deposit or collection all checks, notes, and similar instruments payable to the corporation or to its order. He shall keep accurate books of account of the corporation's transactions, which shall be the property of the corporation, and together with all of the property of the corporation in his possession, shall be subject at all times to the inspection and control of the board of directors. The treasurer shall be subject in every way to the order of the board of directors, and shall render to the board of directors and/or the president of the corporation, whenever they may require it, an account of all his transactions and of the financial condition of the corporation. In addition to the foregoing, the treasurer shall have such duties as may be prescribed or determined from time to time by the board of directors or by the president if the board does not do so.

3. Delegation of authority. The board of directors or the executive committee may at any time delegate the powers and duties of any officer for the time being to any other officer, director or employee.

4. Compensation. The compensation of the chairman of the board, the president, all vice presidents, the secretary and the treasurer shall be fixed by the board of directors or the executive committee, and the fact that any officer is a director shall not preclude him from receiving compensation or from voting upon the resolution providing the same.

ARTICLE IV

Resignations, Vacancies and Removals

1. Resignations. Any director or officer may resign at any time by giving written notice thereof to the board of directors, the president or the secretary. Any such resignation shall take effect at the time specified therein or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of any resignation shall not be necessary to make it effective.

2. Vacancies. (a) Directors. When the office of any director becomes vacant or unfilled, whether by reason of death, resignation, removal, increase in the authorized number of directors or otherwise, such vacancy or vacancies may be filled by the remaining director or directors, although less than a quorum. Any director so elected by the board shall serve until the election and qualification of his successor or until his earlier resignation or removal as provided in these By-laws. The directors may also reduce their authorized number by the number of

vacancies in the board, provided such reduction does not reduce the board to less than the minimum authorized by the laws of the State of Delaware.

(b) Officers. The board of directors may at any time or from time to time fill any vacancy among the officers of the corporation.

3. Removals. (a) Directors. Except as may otherwise be prohibited or restricted under the laws of the State of Delaware, the stockholders may, at any meeting called for the purpose or by consent of the stockholders in lieu of a meeting, remove any director from office, with or without cause, and may elect his successor. Except as may otherwise be prohibited or restricted under the laws of the State of Delaware, the board of directors at any meeting called for the purpose by vote of a majority of the then total authorized number of directors may remove from office for cause any director and may elect his successor, and by similar vote may remove from office without cause any director elected by the board, and may elect his successor.

(b) Officers. Subject to the provisions of any validly existing agreement, the board of directors may at any meeting remove from office any officer, with or without cause, and may elect or appoint a successor; provided that if action is to be taken to remove the president the notice of meeting or waiver of notice thereof shall state that one of the purposes thereof is to consider and take action on his removal.

ARTICLE V

Capital Stock

1. Certificate of stock. Every stockholder shall be entitled to a certificate or certificates for shares of the capital stock of the corporation in such form as may be prescribed or authorized by the board of directors, duly numbered and setting forth the number and kind of shares represented thereby. Such certificates shall be signed by the chairman of the board, the president or a vice president and by the treasurer or an assistant treasurer or by the secretary or an assistant secretary. Any or all of such signatures may be in facsimile if and to the extent authorized under the laws of the State of Delaware.

In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on a certificate has ceased to be such officer, transfer agent or registrar before the certificate has been issued, such certificate may nevertheless be issued and delivered by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

2. Transfer of stock. Shares of the capital stock of the corporation shall be transferable only upon the books of the corporation upon the surrender of the certificate or certificates properly assigned and endorsed for transfer. If the corporation has a transfer agent or agents or transfer clerk and registrar of transfers acting on its behalf, the signature of any officer or representative thereof may be in facsimile.

The board of directors may appoint a transfer agent and one or more co-transfer agents and a registrar and one or more co-registrars of transfer and may make or authorize the transfer

agents to make all such rules and regulations deemed expedient concerning the issue, transfer and registration of shares of stock.

3. Record dates. (a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix in advance a record date which, in the case of a meeting, shall not be less than the minimum nor more than the maximum number of days prior to the scheduled date of such meeting permitted under the laws of the State of Delaware and which, in the case of any other action, shall be not more than the maximum number of days prior to any such action permitted by the laws of the State of Delaware.

(b) If no such record date is fixed by the board, the record date shall be that prescribed by the laws of the State of Delaware.

(c) A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

4. Lost certificates. In case of loss or mutilation or destruction of a stock certificate, a duplicate certificate may be issued upon such terms as may be determined or authorized by the board of directors or executive committee or by the president if the board or the executive committee does not do so.

ARTICLE VI

Fiscal Year, Bank Deposits, Checks, etc.

1. Fiscal year. The fiscal year of the corporation shall commence or end at such time as the board of directors may designate.

2. Bank deposits, checks, etc. The funds of the corporation shall be deposited in the name of the corporation or of any division thereof in such banks or trust companies in the United States or elsewhere as may be designated from time to time by the board of directors or executive committee, or by such officer or officers as the board or executive committee may authorize to make such designations.

All checks, drafts or other orders for the withdrawal of funds from any bank account shall be signed by such person or persons as may be designated from time to time by the board of directors or executive committee. The signatures on checks, drafts or other orders for the withdrawal of funds may be in facsimile if authorized in the designation.

ARTICLE VII

Books and Records

1. Place of keeping books. Unless otherwise expressly required by the laws of the State of Delaware, the books and records of the corporation may be kept outside of the State of Delaware.

2. Examination of books. Except as may otherwise be provided by the laws of the State of Delaware, the Certificate of Incorporation or these By-Laws, the board of directors shall have power to determine from time to time whether and to what extent and at what times and places and under what conditions any of the accounts, records and books of the corporation are to be open to the inspection of any stockholder. No stockholder shall have any right to inspect any account or book or document of the corporation except as prescribed by statute or authorized by express resolution of the stockholders or of the board of directors.

ARTICLE VIII

Notices

1. Requirements of notice. Whenever notice is required to be given by statute, the Certificate of Incorporation or these By-Laws, it shall not mean personal notice unless so specified, but such notice may be given in writing by depositing the same in a post office, letter box, or mail chute postpaid and addressed to the person to whom such notice is directed at the address of such person on the records of the corporation, and such notice shall be deemed given at the time when the same shall be thus mailed.

2. Waivers. Any stockholder, director or officer may, in writing or by telegram or cable, at any time waive any notice or other formality required by statute, the Certificate of Incorporation or these By-Laws. Such waiver of notice, whether given before or after any meeting or action, shall be deemed equivalent to notice. Presence of a stockholder either in person or by proxy at any stockholders' meeting and presence of any director at any meeting of the board of directors shall constitute a waiver of such notice as may be required by any statute, the Certificate of Incorporation or these By-laws.

ARTICLE IX

Seal

The corporate seal of the corporation shall consist of two concentric circles between which shall be the name of the corporation and the date of its incorporation, and in the center of which shall be inscribed "Corporate Seal, Delaware."

ARTICLE X

Powers of Attorney

The board of directors or the executive committee may authorize one or more of the officers of the corporation to execute powers of attorney delegating to named representatives or agents power to represent or act on behalf of the corporation, with or without power of substitution.

In the absence of any action by the board or the executive committee, the president, any vice president, the secretary or the treasurer of the corporation may execute for and on behalf of the corporation waivers of notice of stockholders' meetings and proxies for such meetings in any company in which the corporation may hold voting securities.

ARTICLE XI

Indemnification of Directors and Officers

1. Definitions. As used in this article, the term "person" means any past, present or future director or officer of the corporation or a designated officer of an operating division of the corporation.

2. Indemnification granted. The corporation shall indemnify, to the full extent and under the circumstances permitted by the Delaware General Corporation Law in effect from time to time, any person as defined above, made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer of the corporation or designated officer of an operating division of the corporation, or is or was an employee or agent of the corporation, or is or was serving at the specific request of the corporation as a director, officer, employee or agent of another company or other enterprise in which the corporation should own, directly or indirectly, an equity interest or of which it may be a creditor.

This right of indemnification shall not be deemed exclusive of any other rights to which a person indemnified herein may be entitled by By-Law, agreement, vote of stockholders or disinterested directors or otherwise, and shall continue as to a person who has ceased to be a director, officer, designated officer, employee or agent and shall inure to the benefit of the heirs, executors, administrators and other legal representatives of such person. It is not intended that the provisions of this article be applicable to, and they are not to be construed as granting indemnity with respect to, matters as to which indemnification would be in contravention of the laws of Delaware or of the United States of America, whether as a matter of public policy or pursuant to statutory provision.

3. Miscellaneous. The board of directors may also on behalf of the corporation grant indemnification to any individual other than a person defined herein to such extent and in such manner as the board in its sole discretion may from time to time and at any time determine.

ARTICLE XII

Amendments

These By-Laws may be amended or repealed either:

(a) at any meeting of stockholders at which a quorum is present by vote of a majority of the voting power present in person or by proxy at such meeting as provided in Article I Sections 5 and 6 of these By-Laws, or

(b) at any meeting of the board of directors by a majority vote of the directors then in office; provided the notice of such meeting of stockholders or directors or waiver of notice thereof contains a statement of the substance of the proposed amendment or repeal.

Exhibit 10.1

SUCAMPO PHARMACEUTICALS, INC
AMENDED & RESTATED
2001 STOCK INCENTIVE PLAN

Section 1. Purpose of the Plan.

The purpose of this Plan (as defined below) is to promote the interests of Sucampo Pharmaceuticals, Inc., a Delaware corporation, and its stockholders by aiding in maintaining and developing employees, officers, consultants, independent contractors and Directors capable of assuring the future success of the Company to offer such persons additional incentives to put forth maximum efforts for the success of the business, and to afford them an opportunity to acquire a proprietary interest in the Company.

Section 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in each case as determined by the Committee.

(b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Other Stock Grant or Other Stock-Based Award granted under the Plan.

(c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.

(d) "Board" shall mean the Board of Directors of the Company.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(f) "Committee" shall mean a committee of Directors designated by the Board to administer the Plan.

(g) "Common Stock" shall mean the common stock, $.01 par value per share, of the Company.

(h) "Company" shall mean Sucampo Pharmaceuticals, Inc., a Delaware corporation, and any successor corporation.

(i) "Director" shall mean a member of the Board.

(j) "Effective Date" shall mean the date given in Section 15 of the Plan.

(k) “Eligible Person” shall mean any employee, officer, consultant, independent contractor or Director providing services to the Company or any Affiliate whom the Committee determines to be an Eligible Person.

(l) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(m) “Fair Market Value” shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be reasonably established in good faith from time to time by the Committee.

(n) “Incentive Stock Option” shall mean an Option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code or any successor provision.

(o) “Non-Qualified Stock Option” shall mean an Option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.

(p) “Option” shall mean an Incentive Stock Option or a Non-Qualified Stock Option, and shall include Reload Options.

(q) “Other Stock Grant” shall mean any right granted under Section 6(e) of the Plan.

(r) “Other Stock-Based Award” shall mean any right granted under Section 6(f) of the Plan.

(s) “Participant” shall mean an Eligible Person designated to be granted an Award under the Plan.

(t) “Performance Award” shall mean any right granted under Section 6(d) of the Plan.

(u) “Person” shall mean any individual, corporation, partnership, association or trust.

(v) “Plan” shall mean the Sucampo Pharmaceuticals, Inc. 2001 Stock Incentive Plan, as amended from time to time, the provisions of which are set forth herein.

(w) “Reload Option” shall mean any Option granted under Section 6(a)(iv) of the Plan.

(x) “Restricted Stock” shall mean any Shares granted under Section 6(c) of the Plan.

(y) “Restricted Stock Unit” shall mean any unit granted under Section 6(c) of the Plan evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date.

(z) “Rule 16b-3” shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor rule or regulation.

(aa) “Shares” shall mean shares of Class A Common Stock, $.01 par value per share, of the Company or such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(c) of the Plan.

(bb) “Stock Appreciation Right” shall mean any right granted under Section 6(b) of the Plan.

Section 3. Stock Subject to the Plan.

(a) Subject to adjustment as provided in Section 8, the maximum number of Shares that may be issued under all Awards under the Plan shall be 350,000, and the maximum number of Shares available for granting Incentive Stock Options under the Plan shall not exceed 350,000, subject to adjustment as provided in Section 8 and subject to the provisions of Section 422 or 424 of the Code or any successor provision. The Shares may be either authorized but unissued Shares or issued Shares that have been reacquired by the Company. Any Shares that are used by a Participant as full or partial payment to the Company of the purchase price relating to an Award, or in connection with the tax obligations relating to an Award, shall again be available for granting Awards (other than Incentive Stock Options) under the Plan. In addition, if any Shares covered by an Award or to which an Award relates are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting Awards under the Plan. If an Option under this Plan expires or for any reason is terminated or expires unexercised with respect to any Shares, such Shares shall again be available for Options thereafter granted during the term of this Plan.

(b) Commencing at such time, as the Company’s Shares becomes registered under Section 12 of the Exchange Act, no Person may be granted any Award or Awards under this Plan, the value of which is based solely on an increase in the value of the Shares after the date of grant, for more than 100 Shares (subject to adjustment as provided for in Section 8) in the aggregate in any calendar year. The foregoing annual limitation specifically includes the grant of any Award or Awards representing “qualified performance-based compensation” within the meaning of Section 162(m) of the Code.

Section 4. Administration of Plan.

(a) This Plan shall be administered by the Board or the Committee. The members of the Committee shall be appointed by and serve at the pleasure of the Board. Commencing at such time as the Company’s Common Stock becomes registered under Section 12 of the Exchange Act, the Committee shall consist of not less than that number of Directors that shall be required to permit Awards granted under this Plan to qualify under Rule 16b-3 (or any successor rule or regulation) promulgated by the Securities and Exchange Commission under the Exchange Act, as amended, each of whom shall be a “Non-Employee Director” within the meaning of such Rule. If the Company is subject to Section 162(m) of the Code, the Company expects to have this Plan administered in accordance with the requirements for the award of “qualified performance-based compensation” within the meaning of such Section and each member of the Committee shall be an “outside director” within the meaning of such Section. If the Committee

is established, the Board may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under this Plan.

The Committee shall have plenary authority in its discretion, but subject to the express provisions of this Plan, to (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) each Award; (iv) determine the terms and conditions of any Award or Award Agreement; (v) amend the terms and conditions of any Award or Award Agreement and accelerate the exercisability of Options or the lapse of restrictions relating to Restricted Stock, Restricted Stock Units or other Awards; (vi) determine whether, to what extent and under what circumstances Awards may be exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended; (vii) determine whether, to what extent and under what circumstances cash, Shares, promissory notes, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee; (viii) interpret and administer the Plan and any instrument or agreement, including an Award Agreement, relating to the Plan; (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan, subject to the exclusive authority of the Board under Section 13 to amend or terminate this Plan. The Committee's determinations on the foregoing matters, unless otherwise disapproved by the Board, shall be final and conclusive.

(b) The Committee shall select one of its members as its Chair and shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by not less than a majority of its members. Any decision or determination that is set forth in a written document and signed by all of the members of the Committee shall be fully effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a Secretary and may make such rules and regulations for the conduct of its business as it shall deem advisable.

(c) Power and Authority of the Board. Notwithstanding anything to the contrary contained herein, the Board may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under the Plan.

Section 5. Eligibility.

Any Eligible Person shall be eligible to be designated a Participant. In determining which Eligible Persons shall receive an Award and the terms of any Award, the Committee may take into account the nature of the services rendered by the respective Eligible Persons, their present and potential contributions to the success of the Company or such other factors as the Committee, in its discretion, shall deem relevant. Notwithstanding the foregoing, an Incentive Stock Option may only be granted to full or part-time employees (which term as used herein includes, without limitation, officers and Directors who are also employees), and an Incentive Stock Option shall not be granted to an employee of an Affiliate unless such Affiliate is also a

"subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code or any successor provision.

Section 6. Awards.

(a) Options. The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) Exercise Price. The purchase price per Share purchasable under an Option shall be determined by the Committee; provided, however, that such purchase price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option.

(ii) Option Term. The term of each Option shall be fixed by the Committee.

(iii) Time and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part and the method or methods by which, and the form or forms (including, without limitation, cash, Shares, promissory notes, other securities, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(iv) Reload Options. The Committee may grant Reload Options, separately or together with another Option, pursuant to which, subject to the terms and conditions established by the Committee, the Participant would be granted a new Option when the payment of the exercise price of a previously granted Option is made by the delivery of Shares owned by the Participant pursuant to Section 6(a)(iii) of the Plan or the relevant provisions of another plan of the Company, and/or when Shares are tendered or withheld as payment of the amount to be withheld under applicable income tax laws in connection with the exercise of an Option, which new Option would be an Option to purchase the number of Shares not exceeding the sum of (A) the number of Shares so provided as consideration upon the exercise of the previously granted option to which such Reload Option relates and (B) the number of Shares, if any, tendered or withheld as payment of the amount to be withheld under applicable tax laws in connection with the exercise of the option to which such Reload Option relates pursuant to the relevant provisions of the plan or agreement relating to such option. Reload Options may be granted with respect to Options previously granted under the Plan or any other stock option plan of the Company or may be granted in connection with any Option granted under the Plan or any other stock option plan of the Company at the time of such grant. Such Reload Options shall have a per share exercise price equal to the Fair Market Value of one Share as of the date of grant of the new Option. Any Reload Option shall be subject to availability of sufficient Shares for grant under the Plan.

(v) With respect to Incentive Stock Options granted under the Plan, to the extent that the aggregate Fair Market Value (determined at the time the Incentive Stock Option is granted) of the Shares with respect to which all Incentive Stock Options are exercisable for the first time by an employee during any calendar year exceeds $100,000, in accordance with Section 422A(d) of the Code, such Options shall be treated as Non-Qualified Stock Options.

(b) Stock Appreciation Rights. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants subject to the terms of the Plan and any applicable Award Agreement. A Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of (i) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine, at any time during a specified period before or after the date of exercise) over (ii) the grant price of the Stock Appreciation Right as specified by the Committee, which price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) Restricted Stock and Restricted Stock Units. The Committee is hereby authorized to grant Restricted Stock and Restricted Stock Units to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) Restrictions. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, a waiver by the Participant of the right to vote or to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate. To effect such restrictions as the Committee may deem appropriate, the Company may require that the Participant execute and deliver a stockholder's agreement which may contain further restrictions on voting and transfer of the Shares covered by the Restricted Stock Award.

(ii) Stock Certificates. Any Restricted Stock granted under the Plan shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock. In the case of Restricted Stock Units, no Shares shall be issued at the time such Awards are granted.

(iii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment (as determined under criteria established by the Committee) during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units at such time subject to restriction shall be forfeited and reacquired by the Company; provided, however, that the Committee may, when it finds that a waiver would be in the best interest of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units evidencing the right to receive Shares, such Shares shall be issued and delivered to the holders of the Restricted Stock Units.

(d) Performance Awards. The Committee is hereby authorized to grant Performance Awards to Participants subject to the terms of the Plan and any applicable Award Agreement. A Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock and Restricted Stock Units), other securities,

other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan and any applicable Award Agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee.

(e) Other Stock Grants. The Committee is hereby authorized, subject to the terms of the Plan and any applicable Award Agreement, to grant to Participants Shares without restrictions thereon as are deemed by the Committee to be consistent with the purpose of the Plan.

(f) Other Stock-Based Awards. The Committee is hereby authorized to grant to Participants subject to the terms of the Plan and any applicable Award Agreement, such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purpose of the Plan. Shares or other securities delivered pursuant to a purchase right granted under this Section 6(f) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms (including, without limitation, cash, Shares, promissory notes, other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(g) General.

(i) No Cash Consideration for Awards. Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(ii) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any plan of the Company or any Affiliate other than the Plan. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any such other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) Forms of Payment under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, Shares, promissory notes, other securities, other Awards or other property or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may

include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments.

(iv) Limits on Transfer of Awards. No Award (other than Other Stock Grants) and no right under any such Award shall be transferable by a Participant otherwise than by will or by the laws of descent and distribution; provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, transfer Options (other than Incentive Stock Options) or designate a beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award upon the death of the Participant. Each Award or right under any Award shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. No Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(v) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee.

(vi) Restrictions; Securities Exchange Listing. All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such restrictions as the Committee may deem advisable under the Plan, applicable federal or state securities laws and regulatory requirements, and the Committee may cause appropriate entries to be made or legends to be affixed to reflect such restrictions. If any securities of the Company are traded on a securities exchange, the Company shall not be required to deliver any Shares or other securities covered by an Award unless and until such Shares or other securities have been admitted for trading on such securities exchange.

(vii) Restrictions on Shares. (A) At the discretion of the Board, the Company may reserve to itself or its assignee(s) in the Award (1) a right of first refusal to purchase any Shares that a Participant (or a subsequent transferee) may propose to transfer to a third party and (2) a right to repurchase any or all Shares of Restricted Stock held by a Participant upon such Participant's termination of employment or service with the Company or Affiliate for any reason within a specified time as determined by the Board at the time of grant. To effect such restrictions as the Committee may deem appropriate, the Company may require that the Participant execute and deliver a stockholder's agreement which may contain further restrictions on voting and transfer of the Shares covered by Award.

Section 7. Ten Percent Shareholder Rule.

Notwithstanding any other provision in this Plan, if at the time an Award is otherwise to be granted pursuant to this Plan the Participant owns directly or indirectly (within the meaning of Section 424(d) of the Code) Shares constituting more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or its parent or subsidiary corporations (within the meaning of Section 424(e) or 424(f) of the Code), if any, then any Award to be granted to such Participant pursuant to this Plan shall satisfy the requirements of Section 422(c)(7) of the Code, the option price shall be not less than 110% of the fair market

value of the Shares determined as described herein, and such Award by its terms shall not be exercisable after the expiration of five (5) years from the date such Award is granted.

Section 8. Adjustments.

If the Committee shall determine that, as the result of any change in the Shares or other securities of the Company through merger, consolidation, reorganization, recapitalization, stock dividend (of whatever amount), stock split or other similar corporate transaction or change in the corporate structure of the Company, adjustments in this Plan and outstanding Options would be appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then the Committee shall make such adjustments in this Plan and outstanding Awards as it may deem equitable. In the event of any such changes, adjustments shall include, where appropriate, changes in the number and type of Shares subject to this Plan and the number and type of Shares and the price per Share subject to outstanding Awards; provided, however, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number.

Section 9. Income Tax Withholding; Tax Bonuses.

(a) In order to comply with all applicable domestic or foreign income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state or local payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant are withheld or collected from such Participant. In order to assist a Participant in paying all or a portion of the federal, state or local taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (i) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes, or (ii) delivering to the Company Shares other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes. The election, if any, must be made on or before the date that the amount of tax to be withheld is determined.

(b) The Committee, in its discretion, shall have the authority, at the time of grant of any Award under this Plan or at any time thereafter, to approve cash bonuses to designated Participants to be paid upon their exercise or receipt of (or the lapse of restrictions relating to) the Award in order to provide funds to pay all or a portion of federal, state or local taxes due as a result of such exercise or receipt (or the lapse of restrictions relating to). The Committee shall have full authority in its discretion to determine the amount of any such tax bonus.

Section 10. Amendment and Termination.

(a) The Board may amend, alter, suspend, discontinue or terminate this Plan at any time; provided, however, that notwithstanding any other provision of this Plan or any Award Agreement, without the approval of the stockholders of the Company, no such amendment, alteration, suspension, discontinuation or termination shall be made that, absent such approval (i)

would violate the rules or regulations of any securities exchange (including The Nasdaq Stock Market) that are applicable to the Company; or (ii) would cause the Company to be unable, under the Code, to grant Incentive Stock Awards under this Plan.

(b) The Committee may waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively. Except as otherwise provided herein or in the Award Agreement, the Committee may not amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, if such action would adversely affect the rights of the holder of such Award, without the consent of the holder or beneficiary thereof.

(c) The Committee may correct any defect, supply any omission or reconcile any inconsistency in this Plan or any Award Agreement in the manner and to the extent it shall deem desirable to carry this Plan into effect.

Section 11. Time of Granting.

The granting of an Award pursuant to this Plan shall be effective only if an Award Agreement shall have been duly executed and delivered by and on behalf of the Company and the person to whom such Award is granted. Nothing contained in this Plan or in any resolution adopted or to be adopted by the Board or by the stockholders of the Company, and no action taken by the Committee or the Board (other than the execution and delivery of such Award Agreement), shall constitute the granting of an Award hereunder.

Section 12. No Right to Awards; No Guaranty of Continued Service or Future Benefits.

(a) No Eligible Person, Participant or other Person shall have any claim to be granted any Award under this Plan, and there is no obligation for uniformity of treatment of Eligible Persons, Participants or holders or beneficiaries of Awards under this Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

(b) Nothing in this Plan or in any Award Agreement hereunder shall confer on any employee, Director, consultant or independent contractor any right to continue in the employ or service of the Company or any of its Affiliates or affect in any way the right of the Company or any of its Affiliates to terminate any such person's employment or other services at any time, with or without cause. In addition, the Company or an Affiliate may at any time terminate the employment or service of an employee, Director, consultant or independent contractor free from any liability or any claim under this Plan or any Award or Award Agreement, unless otherwise expressly provided in this Plan or in any such Award or Award Agreement.

(c) Awards shall be granted under this Plan in the sole discretion of the Board or the Committee and will not form part of the Participant's salary or other compensation or entitle the Participant to similar Award grants in the future.

Section 13. General Provisions.

(a) Nothing in this Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(b) The validity, construction and effect of this Plan or any Award hereunder, and any rules and regulations relating to this Plan or any Award hereunder, shall be determined in accordance with the laws of the State of Delaware.

(c) If any provision of this Plan or any Award Agreement hereunder is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify this Plan or any Award Agreement hereunder under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of this Plan hereunder, such provision shall be stricken as to such jurisdiction or Award Agreement, and the remainder of this Plan or any such Award Agreement shall remain in full force and effect.

(d) Neither this Plan nor any Award Agreement hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate of the Company and a Participant or any other Person.

(e) Fractional Shares may be issued or delivered pursuant to this Plan or any Award hereunder; provided that the Committee may determine whether cash shall be paid in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(f) Headings are given to the Sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision hereof.

Section 14. Effective Date and Termination of Plan.

(a) This Plan shall be effective as of February 15, 2001 (the “Effective Date).

(b) Unless this Plan shall have been discontinued as provided in Section 10 above, this Plan shall terminate on December 31, 2010. No Award may be granted after such termination, but termination of this Plan shall not, without the consent of the recipient, alter or impair any rights or obligations under any Award theretofore granted.

Exhibit 10.10

On June 16, 2006, the Registrant entered into an employment agreement substantially similar to the attached agreement with each of the following executive officers:

Executive	Salary
Mariam E. Morris Chief Financial Officer and Treasurer	$ 160,000
Brad E. Fackler Executive Vice President of Commercial Operations	$ 220,000
Gayle R. Dolecek Senior Vice President of Research and Development	$ 135,000
Kei S. Tolliver Vice President of Business Development and Company Operations and Secretary	$ 112,832
Charles S. Hrushka Vice President of Marketing	$ 165,000

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), dated as of _____, 2006 (the "Effective Date"), is hereby entered into in the State of Maryland by and between SUCAMPO PHARMACEUTICALS, INC., a Delaware corporation (the "Company"), and _____ ("Executive").

WHEREAS, Executive has been employed by the Company for some time, most recently pursuant to the terms of an Employment Agreement effective as of _____;

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

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

WHEREAS, in light of the foregoing, the Company desires to continue to employ Executive as its _____ and Executive desires to remain in such employment.

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

Article 1. Employment Agreement

1.1 Employment and Duties

The Company offers and Executive hereby accepts employment with the Company for the Term (as hereinafter defined) as its _____, and in connection therewith, to perform such duties as Executive shall reasonably be assigned by Executive's supervisor and/or by the Company's Board of Directors. Executive hereby warrants and represents that Executive has no contractual commitments or other obligations to third parties inconsistent with Executive's acceptance of this employment and performance of the obligations set forth in this Agreement. Executive shall perform such duties and carry out Executive's responsibilities hereunder faithfully and to the best of Executive's ability, and shall devote Executive's full business time and best efforts to the business and affairs of the Company during normal business hours (exclusive of periods of vacation, sickness, disability, or other leaves to which Executive is entitled). Executive will perform all of Executive's responsibilities in compliance with all applicable laws and will ensure that the operations that Executive manages are in compliance with all applicable laws.

Article 2. Employment Term

2.1 Term

The term of Executive's employment hereunder (the "Term") shall be deemed to commence on the Effective Date and shall end on the second anniversary of the Effective Date, unless sooner terminated as hereinafter provided; provided, however, that the Term shall be automatically renewed and extended for an additional period of one (1) year on each anniversary

thereafter unless either party gives a Notice of Termination (as defined below) to the other party at least sixty (60) days prior to such anniversary.

2.2 Survival on Merger or Acquisition

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

Article 3. Compensation and Benefits

3.1 Compensation

(a) Base Salary. The Company shall pay Executive a salary at an annual rate that is not less than $___, to be paid in bi-weekly installments, in arrears (the "Base Salary"). Thereafter, the Base Salary will be reviewed by the Compensation Committee of the Board of Directors ("Compensation Committee") at least annually, and the Committee's recommendation shall be reviewed and approved by the Board of Directors. The Base Salary may, in the sole discretion of the Board of Directors, be increased, but not decreased (unless mutually agreed by Executive and the Company).

(b) Stock Compensation. At least annually for the Term of this Agreement, Executive shall be eligible for consideration to receive restricted stock grants, incentive stock options or other awards in accordance with the 2006 Stock Incentive Plan. Recommendations concerning the decision to make an award pursuant to that Plan and the amount of any award are entirely discretionary and shall be made initially by the

Compensation Committee, subject to review and approval by the Board of Directors. In the event that, during the Term (i) the Company is acquired or is the non-surviving party in a merger, or (ii) the Company sells all or substantially all of its assets, or (iii) in the event of the death of Executive, all unvested restricted stock awards and incentive stock options having previously been awarded to Executive shall immediately vest and may be exercised in accordance with the terms of the Plan and the Executive's grant award.

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

(d) Withholding Taxes. All compensation due to Executive shall be paid subject to withholding by the Company to ensure compliance with all applicable laws and regulations.

3.2 Participation in Benefit Plans

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

entitled to _____ vacation days per year, to be used and administered in accordance with the Company's vacation policy as it may change from time to time.

3.3 Expenses

The Company will pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by Executive in the performance of Executive's duties under this Agreement. Executive shall provide to the Company detailed and accurate records of such expenses for which payment or reimbursement is sought, and Company payments shall be in accordance with the regular policies and procedures maintained by the Company from time to time.

3.4 Professional Organizations

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

3.5 Parking

During the Term, the Company shall either provide parking for Executive's automobile at the Company's expense or reimburse Executive for such expense.

Article 4. Termination of Employment

4.1 Definitions

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

(a) "Benefit Period" shall mean the two (2) month period commencing on the Date of Termination which occurs in connection with a termination of employment described in the first sentence of Section 4.4(a), or a period ending when Executive becomes eligible for group medical benefits coverage from another source, whichever is shorter.

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

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

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

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

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

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

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

(c) "Date of Termination" shall mean the date specified in the Notice of Termination (as hereinafter defined) (except in the case of Executive's death, in which case the Date of Termination shall be the date of death); provided, however, that if Executive's employment is terminated by the Company other than for Cause, the date specified in the Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to Executive.

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

in reasonable detail, the facts and circumstances claimed to provide a basis for termination or nonrenewal.

(e) "Good Reason" shall mean:

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

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

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

(iv) any material breach by Company of this Agreement.

The Executive shall have Good Reason to terminate Executive's employment if (i) within twenty-one (21) days following Executive's actual knowledge of the event which Executive determines constitutes Good Reason, Executive notifies the Company in writing that Executive has determined a Good Reason exists and specifies the event creating Good Reason, and (ii) following receipt of such notice, the Company fails to remedy such event within twenty-one (21) days. If either condition is not met, Executive shall not have a Good Reason to terminate Executive's employment.

(f) "Change in Control" shall mean:

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

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

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

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

4.2 Termination Upon Death or Disability

This Agreement, and Executive's employment hereunder, shall terminate automatically and without the necessity of any action on the part of the Company upon the death of Executive. In addition, if at any time during the Term, Executive shall become physically or mentally disabled (as determined by an independent physician competent to assess the condition at issue), whether totally or partially, so that Executive is unable substantially to perform Executive's duties and services hereunder, with or without reasonable accommodation, for either (i) a period of sixty (60) consecutive calendar days, or (ii) ninety (90) consecutive or non-consecutive calendar days during any consecutive five (5) month period (the "Disability Date"), the Company

may terminate this Agreement and Executive's employment hereunder by written notice to Executive after the Disability Date (but before Executive has recovered from such disability).

4.3 Company's and Executive's Right to Terminate

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

4.4 Compensation Upon Termination

(a) Severance. In the event the Company terminates (or elects not to renew) this Agreement without Cause or pursuant to Section 4.2 due to the disability of Executive, or in the event Executive terminates this Agreement for Good Reason, Executive shall be entitled to receive: (i) Executive's Base Salary through the Date of Termination, (ii) reimbursement of any COBRA continuation premium payments made by Executive for the Benefit Period, and (iii) a lump sum severance payment equal to two (2) months of Executive's then current Base Salary to be made not later than ten (10) business days following the expiration of the revocation period in Executive's Release (as provided in Section 4.4(c) below) without any revocation having occurred. Notwithstanding the foregoing, the Company shall, to the extent necessary and only to the extent necessary, modify the timing of delivery of severance benefits to Executive if the Company

reasonably determines that the timing would subject the severance benefits to any additional tax or interest assessed under Section 409A of the Internal Revenue Code. In such event, the payments will be made as soon as practicable without causing the severance benefits to trigger such additional tax or interest under Section 409A of the Internal Revenue Code. In the event this Agreement is terminated (or not renewed) for any reason other than by the Company without Cause or pursuant to Section 4.2 due to the disability of Executive or by Executive for Good Reason, Executive shall not be entitled to the continuation of any compensation, bonuses or benefits provided hereunder, or any other payments following the Date of Termination, other than Base Salary earned through such Date of Termination.

(b) Change in Control. In the event that Executive is terminated other than for "Cause" within eighteen (18) months following the occurrence of a "Change in Control" of the Company, then Executive shall be entitled to a severance payment in an amount that is two (2) times the amount specified in Section 4.4(a), clause (iii) above (the "Change in Control Severance Payment"). In the event that Executive shall become entitled to a Change in Control Severance Payment as provided herein, the Company shall cause its independent auditors promptly to review, at the Company's sole expense, the applicability to those payments of Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (the "Code"). If the auditors determine that any payment of the Change in Control Severance Payment would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax, then such payment owed to Executive shall be reduced by an amount calculated to provide to

Executive the maximum Change in Control Severance Payment which will not trigger application of Sections 280G and 4999 of the Code.

(c) Release. Anything to the contrary contained herein notwithstanding, as a condition to Executive receiving severance benefits to be paid pursuant to this Section 4.4, Executive shall execute and deliver to the Company a general release in the form attached hereto as Exhibit A. The Company shall have no obligation to provide any severance benefits to Executive until it has received the general release from Executive and any revocation or rescission period applicable to the Release shall have expired without revocation or rescission.

Article 5. Employment Covenants

5.1 Definitions

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

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

(b) "Confidential Information" shall mean all confidential and proprietary information of the Company, its Predecessors and Affiliates, whether in written, oral, electronic or other form, including but not limited to trade secrets; technical, scientific or business information; processes; works of authorship; Inventions; discoveries;

developments; systems; chemical compounds; computer programs; code; algorithms; formulae; methods; ideas; test data; know how; functional and technical specifications; designs; drawings; passwords; analyses; business plans; information regarding actual or demonstrably anticipated business, research or development; marketing, sales and pricing strategies; and information regarding the Company's current and prospective consultants, customers, licensors, licensees, investors and personnel, including their names, addresses, duties and other personal characteristics. Confidential Information does not include information that (i) is in the public domain, other than as a result of an act of misappropriation or breach of an obligation of confidentiality by any person; (ii) Executive can verify by written records kept in the ordinary course of business was in Executive's lawful possession prior to its disclosure to Executive; (iii) is received by Executive from a third party without a breach of an obligation of confidentiality owed by the third party to the Company and without the requirement that Executive keep such information confidential; or (iv) Executive is required to disclose by applicable law, regulation or order of a governmental agency or a court of competent jurisdiction. If Executive is required to make disclosure pursuant to clause (iv) of the preceding sentence as a result of the issuance of a court order or other government process, Executive shall (a) promptly, but in no event more than 72 hours after learning of such court order or other government process, notify, pursuant to Section 6.1 below, the Company; (b) at the Company's expense, take all reasonable necessary steps requested by the Company to defend against the enforcement of such court order or other government process, and permit the Company to intervene and participate with counsel of its choice in any proceeding relating to the enforcement thereof; and (c) if such compelled disclosure is

required, Executive shall disclose only that portion of the Confidential Information that is necessary to meet the minimum legal requirement imposed on Executive.

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

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

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

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

5.2 Nondisclosure and Nonuse

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

5.3 Other Confidentiality Obligations

Executive acknowledges that the Company may, from time to time, have agreements with other persons or entities or with the U.S. Government or governments of other countries, or agencies thereof, which impose confidentiality obligations or other restrictions on the Company. Executive hereby agrees to be bound by all such obligations and restrictions and shall take all actions necessary to discharge the obligations of the Company thereunder, including, without limitation, signing any confidentiality or other agreements required by such third parties.

5.4 Return of Confidential Information

At any time during Executive's employment with the Company, upon the Company's request, and in the event of Executive's termination of employment with the Company for any reason whatsoever, Executive shall immediately surrender and deliver to the Company all records, materials, notes, equipment, drawings, documents and data of any nature or medium, and all copies thereof, relating to any Confidential Information (collectively the "the Company Materials") which is in Executive's possession or under Executive's control. Executive shall not

remove any of the Company Materials from the Company's business premises or deliver any of the Company Materials to any person or entity outside of the Company, except as required in connection with Executive's duties of employment. In the event of the termination of Executive's employment for any reason whatsoever, Executive shall promptly sign and deliver to the Company a Termination Certificate in the form of Exhibit B attached hereto.

5.5 Confidential Information of Others

Executive represents that Executive's performance of all the terms of this Agreement and Executive's employment with the Company do not and will not breach any agreement to keep in confidence proprietary information, knowledge or data with regard to which Executive has obligations of confidentiality or nonuse, and Executive shall not disclose to the Company or cause the Company to use any such confidential proprietary information, knowledge or data belonging to any previous employer of Executive or other person. Executive represents that Executive has not brought and will not bring to the Company or use at the Company any confidential materials or documents of any former employer or other person that are not generally available to the public, unless express written authorization for their possession and use has been obtained from such former employer or other person. Executive agrees not to enter into any agreement, whether written or oral, that conflicts with these obligations.

5.6 Other Obligations

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

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

Executive hereby assigns to the Company all right, title and interest in all intellectual property, including any patent applications, trade secrets, know how, copyrights, software, or trademarks associated with the Executive Work Product and Confidential Information. Executive hereby acknowledges and agrees that all Executive Work Product subject to copyright protection constitutes "work made for hire" under United States copyright laws (17 U.S.C. § 101) and is owned exclusively by the Company. To the extent that title to any Executive Work Product subject to copyright protection does not constitute a "work for hire," and to the extent title to any other Executive Work Product does not, by operation of law or otherwise, vest in the Company, all right, title, and interest therein, including, without limitation, all copyrights, patents and trade secrets, and all copyrightable or patentable subject matter, are hereby irrevocably assigned to the Company. Executive shall promptly disclose to the Company in writing all Executive Work Product. Executive shall, without any additional compensation, execute and deliver all documents or instruments and give the Company all assistance it requires to transfer all right, title, and interest in any Executive Work Product to the Company; to vest in the Company good, valid and marketable title to such Executive Work Product; to perfect, by registration or otherwise, trademark, copyright and patent protection of the Company with respect to such Executive Work Product; and otherwise to protect the Company's trade secret and proprietary interest in such Executive Work Product. Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Executive's agents and attorneys-in-fact to act for and on Executive's behalf, and to execute and file any documents and to do all other lawfully permitted acts to further the purposes of this Section 5.7 with the same legal force and effect as if executed by Executive.

5.8 Representations

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

5.9 Inventions, Intellectual Property and Equipment Not Transferred

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

5.10 Exclusivity of Employment

During the Term, and without prior approval of the Board of Directors, Executive shall not directly or indirectly engage in any activity competitive with or adverse to the Company's business or welfare or render a material level of services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise; provided, however, that Executive may _____, provided that such activities do not in any way interfere with the performance of Executive's duties to the Company.

5.11 Covenant Not to Compete

Executive agrees to be bound and abide by the following covenant not to compete:

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

(b) Judicial Construction. Executive and the Company agree that, if the period of time or the scope of this Covenant Not to Compete shall be adjudged unreasonably overbroad in any court proceeding, then the period of time and/or scope shall be modified accordingly, so that this covenant may be enforced with respect to such services or geographic areas and during such period of time as is judged by the court to be reasonable.

(c) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Conflicting Product" means any product, method or process, system or service of any person or organization other than the Company that is the same as, similar to or interchangeable with any product, method or process, system or service that was provided or under development by the Company or any of its Affiliates at the time Executive's employment with the Company terminates, or about which Executive acquired any Confidential Information or developed any Executive Work Product.

"Conflicting Organization" means any person or organization which is engaged in research on or development, production, marketing, licensing, selling or servicing of any Conflicting Product.

5.12 Non-Solicitation

For a period of twelve (12) months after termination of employment with the Company for any reason, Executive shall not directly or indirectly solicit or hire, or assist any other person in soliciting or hiring, any person employed by the Company (as of the date of Executive's termination) or any person who, as of the date of Executive's termination, was in the process of being recruited by the Company, or induce any such employee to terminate his or her employment with the Company.

5.13 Judicial Enforcement

In the event of a breach or violation of any provision of this Article 5 by Executive, the parties agree that, in addition to any other remedies it may have, the Company shall be entitled to equitable relief for specific performance, and Executive hereby agrees and acknowledges that the

Company has no adequate remedy at law for the breach of the employment covenants contained herein.

Article 6. Miscellaneous

6.1 Notices

All notices or other communications which are required or permitted hereunder shall be deemed to be sufficient if contained in a written instrument given by personal delivery, air courier or registered or certified mail, postage prepaid, return receipt requested, addressed to such party at the address set forth below or such other address as may thereafter be designated in a written notice from such party to the other party:

To Company: Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue, Suite 450
Bethesda, Maryland 20814
Attention: Chief Executive Officer

To Executive:

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

6.2 Headings

The headings of the articles and sections of this Agreement are inserted for convenience only and shall not be deemed a part of or affect the construction or interpretation of any provision hereof.

6.3 Modifications; Waiver

No modification of any provision of this Agreement or waiver of any right or remedy herein provided shall be effective for any purpose unless specifically set forth in a writing signed by the party to be bound thereby. No waiver of any right or remedy in respect of any occurrence or event on one occasion shall be deemed a waiver of such right or remedy in respect of such occurrence or event on any other occasion.

6.4 Entire Agreement

This Agreement, together with Executive's Acknowledgement of Consideration, contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all other agreements, oral or written, heretofore made with respect thereto including, without limitation, that certain agreement between Executive and the Company dated October 6, 2004.

6.5 Severability

Any provision of this Agreement that may be prohibited by, or unlawful or unenforceable under, any applicable law of any jurisdiction shall, as to such jurisdiction, be ineffective without affecting any other provision hereof. To the full extent, however, that the provisions of such

applicable law may be waived, they are hereby waived, to the end that this Agreement be deemed to be a valid and binding agreement enforceable in accordance with its terms.

6.6 Controlling Law

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

6.7 Arbitration

Any controversy, claim, or breach arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in the State of Maryland in accordance with the rules of the American Arbitration Association for commercial disputes and the judgment upon the award rendered shall be entered by consent in any court having jurisdiction thereof; provided, however, that this provision shall not preclude the Company from seeking injunctive or similar relief from the courts to enforce its rights under the Employment Covenants set forth in Article 5 of this Agreement. It is understood and agreed that, in the event the Company gives notice to Executive of termination for Cause and it should be finally determined in a subsequent arbitration that Executive's termination was not for Cause as defined in this Agreement, then the remedy awarded to Executive shall be limited to such compensation and benefits as Executive would have received in the event of Executive's termination other than for Cause at the same time as the original termination.

6.8 Assignments

Subject to obtaining Executive's prior approval, which shall not be unreasonably withheld or delayed, the Company shall have the right to assign this Agreement and to delegate all rights,

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

6.9 Read and Understood

Executive has read this Agreement carefully and understands each of its terms and conditions. Executive has sought independent legal counsel of Executive's choice to the extent Executive deemed such advice necessary in connection with the review and execution of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

SUCAMPO PHARMACEUTICALS, INC.

By: _____
Sachiko Kuno, PhD.
Chief Executive Officer

Exhibit 10.11

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (this *"Agreement")* dated as of May 26, 2004 by and between Sucampo Pharmaceuticals, Inc. (the *"Company")*, a Delaware corporation, and Sachiko Kuno *("Indemnitee"):*

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

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

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

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

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

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

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

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

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

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

(B) the acquisition of direct or indirect beneficial ownership in the aggregate of securities of the Company representing **[20]%** or more of the total combined voting power of the Company's then issued and outstanding securities by any

person or entity, or group of associated persons or entities acting in concert, not affiliated (within the meaning of the Securities Act of 1933) with the Company as of the date of this Agreement; or

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

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

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

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

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

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

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

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

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

(h) "*Independent Counsel*" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years

has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term *"Independent Counsel"* shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

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

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

3. Services by Indemnitee, Notice of Proceedings.

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

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

4. Indemnification.

(a) In General. In connection with any Proceeding, the Company shall indemnify and advance Expenses to Indemnitee as provided in this Agreement and to the fullest

extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit.

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

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

(d) Indemnification of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified to the maximum extent permitted by law against all Expenses, judgments, penalties, fines and amounts paid in settlement, actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If

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

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

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

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

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

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

the Indemnitee will unreasonably withhold their consent to any proposed settlement.

(g) Contribution.

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

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

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

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

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

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

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

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

5. Exceptions

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

(a) Claims Under Section 16(b)

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

(b) Unlawful Indemnification.

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

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

7. Procedures for Determination of Entitlement to Indemnification.

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

Secretary of the Company shall promptly advise the Board in writing that Indemnitee has requested indemnification.

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

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

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

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

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

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

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

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

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

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

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

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

8. Presumptions and Effect of Certain Proceedings.

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

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

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

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

9. Remedies of Indemnitee.

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

(1) a determination is made pursuant to Section 7 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement;

(2) advancement of Expenses is not timely made pursuant to Section 6 of this Agreement;

(3) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by the Board and the Board has not made such determination within 60 days after receipt by the Company of the request for indemnification;

(4) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by Independent Counsel and Independent Counsel has not made such determination within 90 days after receipt by the Company of the request for indemnification;

(5) payment of indemnification is not made pursuant to Section 4(e) of this Agreement within 10 days after receipt by the Company of a written request therefor; or

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

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

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

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

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

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

expenses incurred by Indemnitee in connection with such adjudication or arbitration shall be appropriately prorated.

10. Non-exclusivity, Insurance, Subrogation.

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

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

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

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

11. Miscellaneous Provisions.

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

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

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

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

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

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

If to the Company:
Thomas W. MacAllister
c/o Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue
Suite 450
Bethesda, MD 20814

If to the Indemnitee:
Sachiko Kuno
1102 Stanmore Drive
Potomac, MD 20854

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

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

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

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

(j) Jurisdiction and Venue. **THIS AGREEMENT MAY BE ENFORCED IN ANY FEDERAL COURT OR STATE COURT SITTING IN DELAWARE, AND**

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

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

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

SUCAMPO PHARMACEUTICALS, INC.

By: /s/ Myra L. Patchen
Name: Myra L. Patchen
Its: Chief Executive Officer

/s/ Sachiko Kuno
Sachiko Kuno

Exhibit 10.12

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (this "*Agreement*") dated as of May 26, 2004 by and between Sucampo Pharmaceuticals, Inc. (the "*Company*"), a Delaware corporation, and Ryuji Ueno ("*Indemnitee*"):

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

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

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

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

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

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

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

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

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

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

(B) the acquisition of direct or indirect beneficial ownership in the aggregate of securities of the Company representing **[20]**% or more of the total combined voting power of the Company's then issued and outstanding securities by any person or entity, or group of associated

persons or entities acting in concert, not affiliated (within the meaning of the Securities Act of 1933) with the Company as of the date of this Agreement; or

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

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

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

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

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

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

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

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

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

(h) "*Independent Counsel*" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years

has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "*Independent Counsel*" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

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

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

3. Services by Indemnitee, Notice of Proceedings.

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

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

4. Indemnification.

(a) In General. In connection with any Proceeding, the Company shall indemnify and advance Expenses to Indemnitee as provided in this Agreement and to the fullest

extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit.

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

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

(d) Indemnification of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified to the maximum extent permitted by law against all Expenses, judgments, penalties, fines and amounts paid in settlement, actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If

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

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

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

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

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

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

the Indemnitee will unreasonably withhold their consent to any proposed settlement.

(g) Contribution.

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

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

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

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

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

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

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

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

5. Exceptions

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

(a) Claims Under Section 16(b)

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

(b) Unlawful Indemnification.

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

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

7. Procedures for Determination of Entitlement to Indemnification.

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

Secretary of the Company shall promptly advise the Board in writing that Indemnitee has requested indemnification.

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

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

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

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

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

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

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

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

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

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

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

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

8. Presumptions and Effect of Certain Proceedings.

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

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

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

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

9. Remedies of Indemnitee.

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

(1) a determination is made pursuant to Section 7 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement;

(2) advancement of Expenses is not timely made pursuant to Section 6 of this Agreement;

(3) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by the Board and the Board has not made such determination within 60 days after receipt by the Company of the request for indemnification;

(4) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by Independent Counsel and Independent Counsel has not made such determination within 90 days after receipt by the Company of the request for indemnification;

(5) payment of indemnification is not made pursuant to Section 4(e) of this Agreement within 10 days after receipt by the Company of a written request therefor; or

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

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

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

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

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

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

expenses incurred by Indemnitee in connection with such adjudication or arbitration shall be appropriately prorated.

10. Non-exclusivity, Insurance, Subrogation.

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

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

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

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

11. Miscellaneous Provisions.

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

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

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

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

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

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

If to the Company:
Thomas W. MacAllister
c/o Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue
Suite 450
Bethesda, MD 20814

If to the Indemnitee:
Ryuji Ueno
11025 Stanmore Drive
Potomac, MD 20854

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

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

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

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

(j) Jurisdiction and Venue. **THIS AGREEMENT MAY BE ENFORCED IN ANY FEDERAL COURT OR STATE COURT SITTING IN DELAWARE, AND**

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

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

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

SUCAMPO PHARMACEUTICALS, INC.

By: /s/ Myra L. Patchen
Name: Myra L. Patchen
Its: Chief Executive Officer

/s/ Ryuji Ueno
Ryuji Ueno

Exhibit 10.13

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (this "*Agreement*") dated as of **May 26, 2004** by and between Sucampo Pharmaceuticals, Inc. (the "*Company*"), a Delaware corporation, and Michael J. Jeffries ("*Indemnitee*"):

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

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

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

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

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

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

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

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

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

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

(B) the acquisition of direct or indirect beneficial ownership in the aggregate of securities of the Company representing **[20]**% or more of the total combined voting power of the Company's then issued and outstanding securities by any person or entity, or group of associated

persons or entities acting in concert, not affiliated (within the meaning of the Securities Act of 1933) with the Company as of the date of this Agreement; or

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

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

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

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

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

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

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

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

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

(h) "*Independent Counsel*" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years

has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "*Independent Counsel*" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

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

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

3. Services by Indemnitee, Notice of Proceedings.

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

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

4. Indemnification.

(a) In General. In connection with any Proceeding, the Company shall indemnify and advance Expenses to Indemnitee as provided in this Agreement and to the fullest

extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit.

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

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

(d) Indemnification of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified to the maximum extent permitted by law against all Expenses, judgments, penalties, fines and amounts paid in settlement, actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If

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

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

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

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

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

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

the Indemnitee will unreasonably withhold their consent to any proposed settlement.

(g) Contribution.

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

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

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

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

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

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

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

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

5. Exceptions

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

(a) Claims Under Section 16(b)

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

(b) Unlawful Indemnification.

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

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

7. Procedures for Determination of Entitlement to Indemnification.

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

Secretary of the Company shall promptly advise the Board in writing that Indemnitee has requested indemnification.

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

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

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

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

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

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

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

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

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

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

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

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

8. Presumptions and Effect of Certain Proceedings.

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

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

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

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

9. Remedies of Indemnitee.

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

(1) a determination is made pursuant to Section 7 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement;

(2) advancement of Expenses is not timely made pursuant to Section 6 of this Agreement;

(3) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by the Board and the Board has not made such determination within 60 days after receipt by the Company of the request for indemnification;

(4) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by Independent Counsel and Independent Counsel has not made such determination within 90 days after receipt by the Company of the request for indemnification;

(5) payment of indemnification is not made pursuant to Section 4(e) of this Agreement within 10 days after receipt by the Company of a written request therefor; or

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

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

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

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

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

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

expenses incurred by Indemnitee in connection with such adjudication or arbitration shall be appropriately prorated.

10. Non-exclusivity, Insurance, Subrogation.

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

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

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

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

11. Miscellaneous Provisions.

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

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

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

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

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

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

If to the Company:
Thomas W. MacAllister
c/o Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue
Suite 450
Bethesda, MD 20814

If to the Indemnitee:
Michael J. Jeffries
67 Schindler Way
Fairfield, NJ 07004

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

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

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

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

(j) Jurisdiction and Venue. **THIS AGREEMENT MAY BE ENFORCED IN ANY FEDERAL COURT OR STATE COURT SITTING IN DELAWARE, AND**

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

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

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

SUCAMPO PHARMACEUTICALS, INC.

By: /s/ Myra L. Patchen
Name: Myra L. Patchen
Its: Chief Executive Officer

/s/ Michael J. Jeffries
Michael J. Jeffries

Exhibit 10.14

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (this "*Agreement*") dated as of May 26, 2004 by and between Sucampo Pharmaceuticals, Inc. (the "*Company*"), a Delaware corporation, and Hidetoshi Mine ("*Indemnitee*"):

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

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

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

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

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

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

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

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

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

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

(B) the acquisition of direct or indirect beneficial ownership in the aggregate of securities of the Company representing **[20]**% or more of the total combined voting power of the Company's then issued and outstanding securities by any person or entity, or group of associated

persons or entities acting in concert, not affiliated (within the meaning of the Securities Act of 1933) with the Company as of the date of this Agreement; or

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

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

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

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

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

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

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

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

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

(h) "*Independent Counsel*" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years

has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "*Independent Counsel*" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

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

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

3. Services by Indemnitee, Notice of Proceedings.

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

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

4. Indemnification.

(a) In General. In connection with any Proceeding, the Company shall indemnify and advance Expenses to Indemnitee as provided in this Agreement and to the fullest

extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit.

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

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

(d) Indemnification of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified to the maximum extent permitted by law against all Expenses, judgments, penalties, fines and amounts paid in settlement, actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If

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

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

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

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

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

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

the Indemnitee will unreasonably withhold their consent to any proposed settlement.

(g) Contribution.

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

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

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

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

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

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

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

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

5. Exceptions

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

(a) Claims Under Section 16(b)

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

(b) Unlawful Indemnification.

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

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

7. Procedures for Determination of Entitlement to Indemnification.

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

Secretary of the Company shall promptly advise the Board in writing that Indemnitee has requested indemnification.

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

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

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

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

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

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

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

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

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

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

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

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

8. Presumptions and Effect of Certain Proceedings.

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

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

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

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

9. Remedies of Indemnitee.

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

(1) a determination is made pursuant to Section 7 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement;

(2) advancement of Expenses is not timely made pursuant to Section 6 of this Agreement;

(3) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by the Board and the Board has not made such determination within 60 days after receipt by the Company of the request for indemnification;

(4) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by Independent Counsel and Independent Counsel has not made such determination within 90 days after receipt by the Company of the request for indemnification;

(5) payment of indemnification is not made pursuant to Section 4(e) of this Agreement within 10 days after receipt by the Company of a written request therefor; or

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

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

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

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

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

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

expenses incurred by Indemnitee in connection with such adjudication or arbitration shall be appropriately prorated.

10. Non-exclusivity, Insurance, Subrogation.

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

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

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

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

11. Miscellaneous Provisions.

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

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

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

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

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

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

If to the Company:
Thomas W. MacAllister
c/o Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue
Suite 450
Bethesda, MD 20814

If to the Indemnitee:
Hidetoshi Mine
3-22-8 Shiba
Minato-ku, Tokyo
105-8683 Japan

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

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

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

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

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

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

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

SUCAMPO PHARMACEUTICALS, INC.

By: /s/ Myra L. Patchen
Name: Myra L. Patchen
Its: Chief Executive Officer

/s/ Hidetoshi Mine
Hidetoshi Mine

Exhibit 10.15

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (this "*Agreement*") dated as of May 23, 2006 by and between Sucampo Pharmaceuticals, Inc. (the "*Company*"), a Delaware corporation, and Gregory D. Perry ("*Indemnitee*"):

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

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

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

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

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

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

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

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

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

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

(B) the acquisition of direct or indirect beneficial ownership in the aggregate of securities of the Company representing twenty percent (20%) or more of the total combined voting power of the Company's then issued

and outstanding securities by any person or entity, or group of associated persons or entities acting in concert, not affiliated (within the meaning of the Securities Act of 1933) with the Company as of the date of this Agreement; or

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

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

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

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

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

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

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

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

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

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

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

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

3. Services by Indemnitee, Notice of Proceedings.

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

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

4. Indemnification.

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

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

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

(d) Indemnification of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified to the maximum extent permitted by law against all

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

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

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

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

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

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

(g) Contribution.

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

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

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

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

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

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

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

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

5. Exceptions

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

(a) Claims Under Section 16(b)

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

(b) Unlawful Indemnification.

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

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

7. Procedures for Determination of Entitlement to Indemnification.

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Presumptions and Effect of Certain Proceedings.

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

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

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

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

9. Remedies of Indemnitee.

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

(1) a determination is made pursuant to Section 7 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement;

(2) advancement of Expenses is not timely made pursuant to Section 6 of this Agreement;

(3) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by the Board and the Board has not made such determination within 60 days after receipt by the Company of the request for indemnification;

(4) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by Independent Counsel and Independent Counsel has not made such determination within 90 days after receipt by the Company of the request for indemnification;

(5) payment of indemnification is not made pursuant to Section 4(e) of this Agreement within 10 days after receipt by the Company of a written request therefor; or

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

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

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

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

with the request for indemnification or (ii) a prohibition of such indemnification under applicable law.

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

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

10. Non-exclusivity, Insurance, Subrogation.

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

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

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

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

11. Miscellaneous Provisions.

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

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

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

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

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

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

If to the Company:
Robert R. Gillispie, General Counsel
c/o Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue
Suite 450
Bethesda, MD 20814

If to the Indemnitee:
Gregory D. Perry
500 Washington Road
Barrington, RI 02806

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

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

(h) Governing Law. **ALL MATTERS RELATING TO THE INTERPRETATION, CONSTRUCTION, VALIDITY AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE**

OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PROVISIONS THEREOF.

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

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

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

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

SUCAMPO PHARMACEUTICALS, INC.

By: /s/ Sachiko Kuno

Name: Sachiko Kuno

Its: CEO

GREGORY D. PERRY

/s/ Gregory D. Perry
Indemnitee

Exhibit 10.16

The Registrant has entered into an Investor Rights Agreement substantially similar to the attached agreement with each of the following stockholders:

Name	Shares of Class A Common Stock (assuming conversion of all outstanding shares of convertible preferred stock)
Astellas Pharma, Inc.	147,500
Mitsubishi UFJ Capital Co., Ltd.	83,000
Mizuho Capital Co., Ltd.	90,595
NIF SMBC Ventures Co., Ltd.	63,412(1)
Nissay Capital No. 3 Investment Limited Partnership	17,600(2)
OPE Partners Limited	233,376(3)
Tokio Marine and Nichido Fire Insurance Co. Ltd.	100,000
Yoshihiro Mikami	58,824
Total	794,307

(1) Includes 45,912 shares purchased from R-Tech Ueno, Ltd. as selling stockholder.

(2) Includes 17,600 shares purchased from R-Tech Ueno, Ltd. as selling stockholder.

(3) Includes 70,588 shares purchased from R-Tech Ueno, Ltd. as selling stockholder.

Exhibit 10.16

SUCAMPO PHARMACEUTICALS, INC.

INVESTOR RIGHTS AGREEMENT

_____, 20 _____

Table of Contents

SUCAMPO PHARMACEUTICALS, INC.
INVESTOR RIGHTS AGREEMENT

This **INVESTOR RIGHTS AGREEMENT** (this "*Agreement*") is made effective as of ___, 20___ by and between Sucampo Pharmaceuticals, Inc., a Delaware corporation (the "*Company*"), and ___, a ___ (the "*Investor*").

WHEREAS, the Company and the Investor are parties to a Stock Purchase Agreement dated as of the date hereof (the "*Purchase Agreement*"), whereby the Company will sell, and the Investor will purchase, newly issued shares of Class A Stock of the Company (the "*Class A Common Stock*"); and

WHEREAS, the obligations the Company and the Investor under the Purchase Agreement are conditioned, among other things, upon the execution and delivery of this Agreement by the Company and the Investor;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Article 1
Certain Definitions

As used in this Agreement, the following terms shall have the following respective meanings:

"Affiliate" means, with respect to any Person, any other Person, directly or indirectly controlling, controlled by or under common control with such Person and any partner of a Person which is a partnership and any member of a Person which is a limited liability company. For purposes of determining who is an Affiliate, the stock holdings of Dr. Ryuji Ueno and Dr. Sachiko Kuno shall be aggregated.

"*Commission*" means the United States Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"*Common Stock*" means the Class A Common Stock and the Class B Common Stock, par value $0.01 per share, of the Company (the "*Class* B *Common Stock*").

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any similar federal rule or statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"*Founders*" means, collectively, Dr. Ryuji Ueno, Dr. Sachiko Kuno, any Persons controlled by each of them, including without limitation, S&R Technology Holdings, LLC, a Delaware limited liability company, R-Tech Ueno, Ltd., a Japanese corporation, Sucampo AG, a

Swiss corporation, and any transferee of a Founder who hereafter becomes a party to the Stockholders Agreement, and each individually, a "*Founder*."

"*Holders*" means (i) the Investor, so long as it continues to hold Registrable Securities and (ii) each person holding Registrable Securities to whom the rights under this Agreement have been transferred in accordance with Article 10 hereof.

"*Person*" means any individual, trust (or any of its beneficiaries), estate, partnership, limited partnership, limited liability partnership, association, limited liability company, corporation, any other enterprise engaged in the conduct of business or operating as a non-profit entity, however formed or wherever organized, or any governmental body, agency or unit.

"*Preferred Stock*" means any series of preferred stock of the Company issued from time to time.

"*register*," "*registered*" and "*registration*" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

"*Registrable Securities*" means, at any time, (i) the Class A Common Stock acquired pursuant to the Purchase Agreement and (iii) any Common Stock issued or issuable upon any stock split, stock dividend, recapitalization or similar event; provided, however, that securities shall only be treated as Registrable Securities if and so long as (i) they have not been registered or sold to or through a broker, dealer, market maker or underwriter in a public distribution or a public securities transaction (including but not limited to a public distribution pursuant to Rule 144) and (ii) the registration rights with respect to such securities have not terminated pursuant to Section 5.8 below.

"*Registration Expenses*" shall mean all expenses, except Selling Expenses, incurred by the Company in complying with Sections 5.1 and 5.2 below, including without limitation, all registration, qualification and filing fees, printing expenses, and escrow fees, reasonable fees and disbursements of counsel for the Company and one counsel for the Holders, "blue sky" fees and expenses, the expense of any special audits incidental to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

"*Restricted Securities*" shall mean the securities of the Company required to bear the legends set forth in Article 3 below.

"*Rule 144*" and "*Rule 145*" shall mean Rules 144 and 145, respectively, promulgated under the Securities Act, or any similar federal rules thereunder, all as the same shall be in effect at the time.

"*Securities Act*" shall mean the Securities Act of 1933, as amended, or any similar federal rule or statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"*Selling Expenses*" shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the securities registered by the Investor and all fees and disbursements of counsel for the Holders other than reasonable fees and disbursements of one counsel for the Holders.

"*Series B Financing*" means the sale by the Company of up to 326,912 shares of newly issued Class A Common Stock in a private placement completed by May 31, 2006.

"*Stockholders Agreement*" shall mean the Stockholders Agreement, dated July 31, 2002, by and among the Company, the Investor and the other stockholders of the Company who thereafter become parties thereto.

Article 2
Restrictions on Transferability

The Class A Common Stock and any other securities issued in respect of such stock upon any stock split, stock dividend, recapitalization, merger or similar event shall not be sold, assigned, transferred or pledged except pursuant to the provisions of Article 4 below and the applicable provisions of the Stockholders Agreement. The Investor will cause any proposed purchaser, assignee, transferee or pledgee of any such shares held by the Investor to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

Article 3
Restrictive Legend

Each certificate representing the Class A Common Stock or any other securities issued in respect of such stock upon any stock split, stock dividend, recapitalization, merger or similar event shall (unless otherwise permitted by the provisions of Article 4 below) be stamped or otherwise imprinted with legends in substantially the following form (in addition to any legends required by agreement or by applicable state securities laws):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). SUCH SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO IT STATING THAT SUCH SALE OR TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE ACT.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO CONTRACTUAL TRANSFER RESTRICTIONS AS SET FORTH IN THE STOCKHOLDERS' AGREEMENT DATED AS OF JULY 31, 2002, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SECURITIES.

The Investor consents to the Company making a notation on its records and giving stop transfer instructions to any transfer agent of its capital stock in order to implement the restrictions on transfer established in this Agreement.

The Company shall reissue unlegended certificates as soon as practicable following the request of any Holder if the Holder shall have obtained an opinion of counsel reasonably acceptable to the Company to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend.

Article 4
Notice of Proposed Transfers

The Holder, by acceptance of certificates representing Restricted Securities, agrees to comply in all respects with the provisions of this Article 4. Without in any way limiting the immediately preceding sentence, no sale, assignment, transfer or pledge of Restricted Securities shall be made by the Holder to any person unless such person shall first agree in writing to be bound by the restrictions of this Agreement. Prior to any proposed sale, assignment, transfer or pledge of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transfer, the Holder shall give written notice to the Company of the Holder's intention to effect such transfer, sale, assignment or pledge. Each such notice shall describe the manner and circumstances of the proposed transfer, sale, assignment or pledge in sufficient detail, and, if reasonably requested by the Company, the Holder shall also provide, at the Holder's expense, a written opinion of legal counsel reasonably satisfactory to the Company addressed to the Company, to the effect that the proposed transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder shall be entitled to transfer such Restricted Securities in accordance with the terms of the notice delivered by the Holder to the Company.

Each certificate evidencing Restricted Securities transferred as provided above shall bear, except if such transfer is registered pursuant to an effective registration statement or is made pursuant to Rule 144, the appropriate restrictive legend set forth in Article 3 above, except that such certificate shall not bear such restrictive legend if in the opinion of counsel for the Holder and counsel for the Company such legend is not required in order to establish compliance with any provision of the Securities Act.

Notwithstanding the foregoing provisions of this Article 4, no opinion of counsel shall be necessary for (I) a transfer by a Holder that is (A) a partnership to its partners or former partners in accordance with partnership interests, (B) a corporation to its shareholders in accordance with their interests in the corporation, (C) a limited liability company to its members or former members in accordance with their interests in the limited liability company, (D) an Investor to an Affiliate of such Investor, who shall become party to this Agreement and shall sign an investor representation letter satisfactory to the Company, or (E) an individual to a member of the transferor's immediate family or trust created for the benefit of such individual or members of such individual's immediate family or (II) a transfer by a Holder pursuant to Rule 144 if such Holder shall have delivered to the Company a certificate in form satisfactory to the Company certifying that (a) such Holder has held the securities to be transferred for a period of not less than two consecutive years, (b) such Holder has not been an affiliate of the Company, as defined

in Rule 144, for a period of at least 90 days prior to such transfer and (iii) such other matters as may be appropriate in accordance with Rule 144(b).

Article 5
Registration

5.1 Company Registration.

(a) Notice of Registration. If at any time or from time to time following a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act covering the offer and sale of Class A Common Stock of which the aggregate gross proceeds are at least $30 Million (a "*Qualified IPO*"), the Company shall determine to register any of its equity securities, either for its own account or the account of a Holder or other holders, other than (i) a registration relating solely to employee benefit plans, (ii) a registration relating solely to a Rule 145 transaction or (iii) a registration in which the only equity security being registered is Common Stock issuable upon conversion of convertible debt securities which are also being registered, the Company will:

(i) give to the Holder written notice thereof as soon as reasonably practicable; and

(ii) use its best efforts to include in such registration (and any related qualifications including compliance with "blue sky" laws) on the same terms and conditions as the securities otherwise being sold in such registration, and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made within 20 business days after the date of such written notice from the Company, by the Holder.

(b) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holder as part of the written notice given pursuant to Section 5.1(a)(i) above. In such event, the right of the Holder to registration pursuant to this Section 5.1 shall be conditioned upon the Holder's participation in such underwriting, and the inclusion of Registrable Securities in the underwriting shall be limited to the extent provided herein.

(c) Underwriting Agreement; Limitation of Underwritten Securities. If a Holder proposes to distribute its securities through such underwriting, it shall (together with the Company and all the other Holders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the managing underwriter selected for such underwriting by the Company. Notwithstanding any other provision of this Section 5.1, if the managing underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriter may limit the Registrable Securities to be included in such registration and each Holder will have the number of Registrable Securities reduced *pro rata* (with the Founders and any other holders of Company securities having similar "piggy-back" registration rights) based upon the number of Registrable Securities requested to be included in such registration so that the resultant aggregate number of such Registrable Securities so included in such registration shall equal the number of shares determined by the

underwriters. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares. If the Investor disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written notice to the Company.

(d) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 5.1 prior to the effectiveness of such registration whether or not a Holder has elected to include securities in such registration.

5.2 Registration on Form S-3.

(a) Request for Registration. In the event the Company receives from the Holders a written request that the Company file a registration statement on Form S-3 (or any successor form to Form S-3) for a public offering of shares of Registrable Securities, and the Company is a registrant entitled to use Form S-3 to register the sale of Registrable Securities for such an offering, the Company shall use best efforts to cause such Registrable Securities to be registered for the offering on such form and to cause such Registrable Securities to be qualified in such jurisdictions as the Holders may reasonably request. The Company shall inform the other Holders of the proposed registration and offer them the opportunity to participate. In the event the registration is proposed to be part of a firm commitment underwritten public offering, the provisions of Section 5.1(c) above shall be applicable to each such registration initiated under this Section 5.2.

(b) Notwithstanding the foregoing, the Company shall not be obligated to take any action pursuant to this Section 5.2:

(i) During the period starting with the date 60 days prior to the Company's estimated date of filing of, and ending on the date 180 days immediately following the effective date of, any registration statement pertaining to securities of the Company (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), provided that the Company is actively employing in good faith best efforts to cause such registration statement to become effective;

(ii) If the number of Registrable Securities proposed to be registered by the Holder under such registration is less than 25% of the aggregate Registrable Securities originally issued to the Investor pursuant to the Purchase Agreement and issued upon any stock split, stock dividend, recapitalization or other similar event;

(iii) If, during the previous 4 months, the Company has effected one registration pursuant to this Section 5.2 above;

(iv) If the Company shall furnish to the Holder a certificate signed by the President of the Company stating that such registration would require disclosure of material non-public information regarding a potential financing, acquisition, merger or other corporate development and such disclosure, in the good faith judgment of the Board of Directors, would not be in the best interest of the Company or its stockholders; provided, however, that the Company shall not utilize this right more than three times in any 12-month period.

5.3 Expenses of Registration. All Registration Expenses incurred in connection with all registrations pursuant to Section 5.1, and Section 5.2 shall be borne by the Company. Unless otherwise agreed, all Selling Expenses relating to securities registered on behalf of the Holders and all other registration expenses shall be borne by the Holders *pro rata* on the basis of the number of shares so registered or proposed to be so registered.

5.4 Registration Procedures. The Company will keep the Holders of securities being registered advised in writing as to the initiation of each registration effected by the Company pursuant to this Agreement and as to the completion thereof. The Company will:

(a) prepare and file with the Commission a registration statement and such amendments and supplements as may be necessary, and use best efforts to cause such registration statement to become and remain effective (i) in the case of a registration statement filed pursuant to Section 5.1, until the earlier of 120 days from the date of effectiveness or the distribution described in the registration statement has been completed and (ii) in the case of a registration statement filed pursuant to Section 5.2, until the earlier of the date on which all Registrable Securities registered thereon have been sold or all such securities cease to be Registrable Securities;

(b) furnish to the Holders and to the underwriters, if any, of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as the Holders or such underwriters may reasonably request in order to facilitate the public offering of such securities;

(c) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the periods set forth in Section 5.4(a) and to comply with the provisions of the Securities Act with respect to the sale or other disposition of such Registrable Shares;

(d) use its best efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities; provided, however, the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify, (ii) subject itself to taxation in any such jurisdiction or (iii) consent to generally service of process in any such jurisdiction;

(e) in the case of an underwritten offering, furnish to the underwriters:

(i) an opinion of counsel for the Company, dated the date of the closing under the underwriting agreement, customary in form and substance to those delivered in similar transactions, and

(ii) a “comfort” letter (or, in the case of any such Person which does not satisfy the conditions for receipt of a “comfort” letter specified in Statement on Auditing Standards No. 72, an “agreed upon procedures” letter), dated the

effective date of such registration statement and a letter of like kind dated the date of the closing under the underwriting agreement, signed by the independent public accountants who have certified the Company's financial statements included in such registration statement, covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in accountants' letters delivered to the underwriters in underwritten public offerings of securities (with, in the case of an "agreed upon procedures" letter, such modifications or deletions as may be required under Statement on Auditing Standards No. 35) and, in the case of the accountants' letter, such other financial matters;

(f) promptly notify the Holders of the securities being registered and the managing underwriter or underwriters, if any:

(i) when the registration statement, the prospectus or any prospectus supplement related thereto or post-effective amendment to the registration statement has been filed, and, with respect to the registration statement or any post-effective amendment thereto, when the same has become effective;

(ii) of the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose; and

(iii) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or blue sky laws of any jurisdiction or the initiation or threat of any proceeding for such purpose;

(g) notify the Holders on a timely basis, if covered by such registration statement, and each managing underwriter, if any, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon the Company's discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and promptly as practicable prepare and furnish to the Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the offerees of such shares, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing unless, in the good faith judgment of the Board of the Directors of the Company, such supplement or amendment would require disclosure of material non-public information regarding a potential financing, acquisition, merger or other corporate development and such disclosure would not be in the best interest of the Company or its stockholders;

(h) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment; and

(i) use its best efforts to list all Registrable Securities covered by such registration statement on the Nasdaq National Market or any other securities exchange on which any of the securities of the same class as the Registrable Securities are then listed;

(j) provide a transfer agent and registrar (which may be the same entity and which may be the Company) for such Registrable Shares; and

(k) upon the reasonable request of the Holders and subject to all other provisions and conditions of this Agreement, use its commercially reasonable efforts to take all other steps necessary to effect the registration of such Registrable Securities contemplated hereby.

The Holders shall be deemed to have agreed by acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in paragraph (g) of this Section 5.4, the Holders will forthwith discontinue the Holders' disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until the Holders' receipt of the copies of the supplemented or amended prospectus contemplated by paragraph (g) of this Section 5.4 and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such holder's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the period mentioned in paragraph (a) of this Section 5.4 shall be extended by the length of the period from and including the date when each seller of any Registrable Securities covered by such registration statement shall have received such notice to the date on which each such seller has received the copies of the supplemented or amended prospectus contemplated by paragraph (g) of this Section.

5.5 Indemnification.

(a) The Company will indemnify the Holders covered by a registration statement, its officers and directors, and each person controlling such Holder within the meaning of Section 15 of the Securities Act, with respect to which registration has been effected pursuant to this Agreement, against all expenses, claims, losses, damages or liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document, or any amendment or supplement thereto, incident to any such registration, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or any violation by the Company of the Securities Act, the Exchange Act, state securities laws or any rule or regulation promulgated under such laws applicable to the Company in connection with any such registration, and the Company will reimburse such Holder, its officers and directors, and each person controlling such Holder, for any legal and any

other expenses reasonably incurred, as such expenses are incurred, in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, provided, however, that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission or alleged untrue statement or omission, made in reliance upon and in conformity with written information furnished to the Company by a Holder or controlling person specifically for use therein; provided further, however, that the foregoing indemnity agreement is subject to the condition that, insofar as it relates to any such untrue statement, alleged untrue statement, omission or alleged omission made in a registration statement or prospectus which has subsequently been amended, such indemnity agreement shall not inure to the benefit of a Holder if a copy of such amended registration statement or prospectus was furnished to such Holder at or prior to the time of the delivery of the registration statement or prospectus by such Holder and such amended registration statement or prospectus would have cured the defect giving rise to the loss, liability, claim or damage.

(b) Each Holder severally will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers, each person who controls the Company within the meaning of Section 15 of the Securities Act, and each other Holder covered by such registration statement, each of its officers and directors and each person controlling such Holder within the meaning of Section 15 of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any amendment or supplement thereto, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances they were made, not misleading, or any violation by such Holder of the Securities Act, the Exchange Act, state securities laws or any rule or regulation promulgated under such laws applicable to the Investor in connection with any such registration, and the Investor will reimburse the Company, such other Holders, and the directors, officers, persons, underwriters or control persons of the Company or such other Holders for any legal and any other expenses reasonably incurred, as such expenses are incurred, in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, but only to the extent that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with information furnished to the Company by such Holder in writing; provided, however, that the total amounts payable in indemnity by any Holder under this Section 5.5 shall not exceed the gross proceeds received by such Holder in the registered offering out of which such claim, loss, damage or liability arises.

(c) Each party entitled to indemnification under this Section 5.5 (the "*Indemnified Party*") shall give written notice to the party required to provide indemnification (the "*Indemnifying Party*") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved

by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such Indemnified Party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement unless the failure to give such notice is materially prejudicial to an Indemnifying Party's ability to defend such action, and provided further, that the Indemnifying Party shall not assume the defense for matters as to which there is a conflict of interest or there are separate and different defenses. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party (whose consent shall not be unreasonably withheld), consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability with respect to such claim or litigation. No Indemnifying Party shall, without the consent of the Indemnified Party, consent to entry of any judgment or enter into any settlement of any such action which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability, or a covenant not to sue, in respect to such claim or litigation. No Indemnified Party shall consent to entry of any judgment or enter into any settlement of any such action the defense of which has been assumed by an Indemnifying Party without the consent of such Indemnifying Party.

(d) If the indemnification provided for in this Section 5.5 is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, liability, claim, damage or expense referred to therein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant hereto were determined by pro rata allocation or by any other method or allocation that does not take account of the equitable considerations referred to herein; provided, however, that in no event shall any contribution by a Holder hereunder exceed the gross proceeds from the offering received by such Holder. Any person guilty of fraudulent misrepresentation shall not be entitled to contribution from any person.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering of the Company's Common Stock are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control, except that no such provisions shall affect the Company's obligations to indemnify a Holder pursuant to Section 5.5(a).

(f) The obligations of the Company and the Holder under this Section 5.5 shall survive the completion of any offering of Registrable Securities in a registration statement under this Article 5 and otherwise, unless such obligations are superseded by an underwriting agreement in connection with the underwritten public offering of the Company's Common Stock.

5.6 Information by the Holders. If any Holder's Registrable Securities are included in any registration, such Holder shall furnish to the Company such information regarding such Holder, the Registrable Securities held by it and the distribution proposed by the Holder as the Company may request in writing and as shall be required in connection with any registration referred to in this Agreement.

5.7 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Restricted Securities to the public without registration after such time as a public market exists for the Common Stock of the Company, the Company agrees to use best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date that the Company becomes subject to the reporting requirements of the Securities Act or the Exchange Act;

(b) File with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and

(c) So long as the Holder owns any Restricted Securities, to furnish it forthwith upon request and at the Holder's expense a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 (at any time after 180 days after the effective date of the first registration statement filed by the Company for an offering of its securities to the general public) and such other reports and documents of the Company and other information in the possession of or reasonably obtainable by the Company as the Holders may reasonably request in availing itself of any rule or regulation of the Commission allowing the Holders to sell any such securities without registration.

5.8 Termination of Registration Rights. The rights granted pursuant to Sections 5.1 and 5.2 above shall terminate upon the date the applicable Holder is able to sell publicly without registration all Registrable Securities then held by the Investor, if any, within a 90-day period pursuant to Rule 144 under the Securities Act or a similar exemption.

Article 6
Financial Information

6.1 Information Rights. The Company will provide the following documents to each Holder so long as the Holder holds Registrable Securities unless such delivery is expressly waived in writing by such Holder:

(a) As soon as practicable after the end of the fiscal year ending December 31, 20___, and each fiscal year thereafter, and in any event within 90 days after the end of each such fiscal year, consolidated balance sheets of the Company and its subsidiaries, if any, as of the end of each such fiscal year, and consolidated statements of operations and consolidated statements of cash flows and stockholders' equity of the Company and its subsidiaries, if any, for such year, each prepared in accordance with generally accepted accounting principles and setting forth in each case in comparative form the figures for the previous year, all in reasonable detail and audited by independent public accountants of national standing selected by the Company; and

(b) As soon as practicable after the first, second and third quarterly accounting periods in each fiscal year of the Company and in any event within 60 days thereafter, a consolidated balance sheet of the Company and its subsidiaries, if any, as of the end of each such quarterly period, and consolidated statements of operations and, to the extent prepared for the Board of Directors of the Company, consolidated statements of cash flow of the Company and its subsidiaries for such period and for the current fiscal year to date, prepared in accordance with generally accepted accounting principles (other than for accompanying notes), subject to changes resulting from year-end audit adjustments.

The Holders acknowledge and agree that any information obtained pursuant to this Article 6 which may be considered nonpublic information will be maintained in confidence by the Holders and, in all cases subject to such confidentiality obligation, will not be utilized by the Holders in connection with purchases or sales of the Company's securities except as permitted by applicable state and federal securities laws.

6.2 Termination. The covenants of the Company set forth in this Article 6 shall terminate and be of no further force or effect upon the closing of a Qualified IPO or at such time as the Company is required to file reports pursuant to Section 13 or 15(d) of the Exchange Act, whichever shall occur first.

Article 7
Lockup Agreement

The Investor and any other Holder hereby agree that, in connection with any registration of the offering of any securities of the Company under the Securities Act for the account of the Company, if so requested by the Company or any representative of the underwriters (the

"*Managing Underwriter*"), the Investor or other Holder shall not lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase or grant any option or warrant to purchase or otherwise transfer any securities of the Company during the period specified by the Company's Board of Directors at the request of the Managing Underwriter (the "*Market Standoff Period*"), with such period not to exceed 180 days following the effective date of the registration statement of the Company filed under the Securities Act; provided that all officers and directors of the Company, holders of at least five percent of the Company's voting securities and Founders holding at least one percent of the the Company's voting securities are bound by and have entered into similar agreements. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period.

Article 8
Right of First Offer on Company Issuance

8.1 Right of First Offer. The Company hereby grants to the Investor a right of first offer ("*Right of First Offer*") to purchase the Investor's Pro Rata Share (as defined in Section 8.2 below) of any New Securities (as defined in Section 8.3 below) which the Company may, from time to time, propose to issue and sell; provided, however, if the New Securities to be issued shall be the Company Class B Common Stock, the Investor shall receive the number of Class A Common Stock that would be issuable upon conversion of the Class B Common Stock the Investor would have otherwise received but for this proviso; provided further, however, that shares of Class B Common Stock issued after the date hereof shall only be issued to a Founder or an Affiliate of a Founder.

8.2 Pro Rata Share. The Investor's "*Pro Rata Share*," for purposes of this Article 8, is equal to the fraction obtained by dividing (a) the sum of the total number of shares of Common Stock then held, or issued or issuable upon conversion of Series A Preferred Stock then held, by the Investor by (b) the sum of the total number of shares of (i) Common Stock, (ii) Common Stock issuable upon the conversion of the Series A Preferred Stock and any other series of preferred stock of the Company then outstanding and (iii) Common Stock issuable upon any exercise of any options or warrants then outstanding.

8.3 New Securities. Except as set forth below, "*New Securities*" shall mean any shares of capital stock of the Company, including without limitation, Common Stock and Series A Preferred Stock, whether or not now authorized, and rights, options or warrants to purchase said shares of Common Stock or Series A Preferred Stock and securities of any type whatsoever that are, or may by their terms become, convertible into said shares of Common Stock or Series A Preferred Stock. Notwithstanding the foregoing, "*New Securities*" shall not include the following:

(a) the outstanding shares of the Company's Series A Preferred Stock and the shares of Common Stock issued upon the conversion of Series A Preferred Stock;

(b) up to 10% of the authorized shares of Common Stock in the form of options or other rights to purchase Common Stock, issued or granted to employees,

officers, directors and consultants of the Company pursuant to any one or more employee stock plans or agreements approved by the Company's Board of Directors;

(c) shares of Common Stock or other securities issued as a dividend or distribution to all Holders of Common Stock or to a class of Preferred Stock in accordance with the terms of such securities on, or in connection with a split of or recapitalization of, any of the capital stock of the Company;

(d) securities issued by the Company pursuant to a strategic partnership, joint venture or other similar arrangement approved by the Board of Directors;

(e) securities sold pursuant to a registration statement filed by the Company under the Securities Act;

(f) securities issued by the Company pursuant to the acquisition of another corporation or other entity by the Company by merger, purchase of all or substantially all of the capital stock or assets, or other reorganization;

(g) securities issued pursuant to currently outstanding options, warrants, rates or other rights to acquire securities of the Company;

(h) Shares of Class A Common Stock issued upon conversion of Class B Common Stock or any other Common Stock issued upon conversion of New Securities; and

(i) Any shares of Class A Common Stock issued by the Company as part of the Series B Financing.

8.4 Procedure. In the event the Company proposes to undertake an issuance of New Securities, it shall give the Investor written notice (the "*Company Notice*") of its intention, describing the amount and type of New Securities to be issued, and the price and terms upon which the Company proposes to issue the same. The Investor shall have 20 days from the date of receipt of the Company Notice to exercise its Right of First Offer to purchase up its Pro Rata Share of such New Securities for the price and upon the terms specified in the Company Notice by delivering written notice (the "*Right of First Offer Election Notice*") to the Company and stating therein the quantity of New Securities to be purchased.

(a) Settlement for the New Securities to be purchased by the Investor pursuant to this Section 8.4 shall be made in cash within 25 days from the Investor's deemed date of receipt of the Company Notice; provided, however, that if the terms of payment for the New Securities specified in the Company Notice were other than cash against delivery, the Investor shall pay in cash to the Company the fair market value of such consideration as mutually agreed upon by the Company and the Investor or, if no such agreement is reached, as determined by an independent, nationally recognized appraisal firm selected by the Company's Board of Directors and reasonably acceptable to the Investor, which determination shall be final, within five days of such determination. The fees and expenses of such appraisal firm shall be shared equally by the Investor and the Company.

(b) The Company shall have 90 days after the deemed receipt of the Company Notice to sell the New Securities not elected to be purchased by the Investor at the price and upon terms no more favorable to the purchasers of such securities than specified in the Company Notice. In the event the Company has not sold some or all of the New Securities within such 90-day period, the Company shall not thereafter issue or sell any unsold New Securities without first offering such securities to the Investor in the manner provided above.

(c) If the Investor shall have failed to deliver to the Company its Right of First Offer Election Notice within the time period described in this Section 8.4, the Investor shall be deemed to have waived its Right of First Offer as to such financing to which such notice pertains.

8.5 Termination and Assignment. The Right of First Offer granted in this Article 8 shall expire upon the effective date of a Qualified IPO. The Right of First Offer is non-assignable.

8.6 Company Right to Terminate Issuance of New Securities. Notwithstanding the foregoing, the Company may in its sole discretion terminate any proposed issuance of New Securities in respect of which the Company has given Company Notice, at any time prior to the consummation thereof. The foregoing provision shall apply even in the event the Investor shall have exercised its Rights of First Offer hereunder; provided, however, that no New Securities shall then have been issued.

Article 9
Transfer of Rights

The rights granted under Article 5 and Article 6 of this Agreement (the "*Rights*") are assignable by the Investor or any subsequent Holder to any party that (i) acquires at least 25% of the aggregate Registrable Securities held by the Investor on the date hereof, originally issued to the Investor pursuant to the Purchase Agreement, purchased pursuant to Article 8 hereof and issued upon any stock split, stock dividend, recapitalization or other similar event (in each case, counted on an as-converted to Common Stock basis and appropriately adjusted for recapitalizations, stock splits and the like) and (ii) agrees in writing to be bound by the terms of this Agreement. In the event of such a permitted transfer, the permitted transferee must provide written notice of such assignment to the Company and agree in writing to be bound by the terms and conditions of this Agreement and shall thereupon be deemed to be a Holder.

Article 10
Amendment

Except as otherwise provided herein, additional parties may be added to this Agreement, any provision of this Agreement may be amended or the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the Investor.

Article 11
Governing Law

This Agreement and the legal relations among the parties hereto arising hereunder shall be governed by and interpreted in accordance with the laws of the State of New York without regard to conflict of law principles. The parties hereto agree to submit to the jurisdiction of the federal and state courts of the State of New York located in New York County with respect to the breach or interpretation of this Agreement or the enforcement of any and all rights, duties, liabilities, obligations, powers and other relations between the parties hereto arising under this Agreement.

Article 12
Entire Agreement

This Agreement, together with the Stockholders Agreement, constitutes the full and entire understanding and agreement among the parties hereto regarding the matters set forth herein. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon the successors, assigns, heirs, executors and administrators of the parties hereto.

Article 13
Notices, Etc.

All notices and other communications required or permitted hereunder shall be effective upon receipt, shall be in writing and shall be mailed by registered or certified mail, postage prepaid, or otherwise delivered by facsimile transmission, by hand or by messenger, addressed:

If to the Investor:

_____
_____
_____
_____
Attention:_____
Facsimile No.:

If to the Company:

Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue
Bethesda, MD 20814
USA
Attention: Dr. Sachiko Kuno
Facsimile No.: (301) 961-3440

With a copy to:

Dorsey & Whitney LLP
250 Park Avenue
New York, NY 10177
USA
Attention: Robert J. Dwyer, Jr., Esq.
Facsimile No.: (212) 953-7201

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when received if delivered personally, if sent by facsimile, the first business day after the date of confirmation that the facsimile has been successfully transmitted to the facsimile number for the party notified, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and mailed as aforesaid.

Article 14
Successors and Assigns

Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon the successors, assigns, heirs, executors and administrators of the parties hereto.

Article 15
Severability

In the event any provision of this Agreement shall be determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Article 16
Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute one instrument.

[Remainder of page intentionally left blank.]

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

SUCAMPO PHARMACEUTICALS, INC.

By: _____

Dr. Sachiko Kuno, Ph.D.
President and Chief Executive Officer

_____

By: _____

Name:
Title:

EXHIBIT 10.17

4733 BETHESDA AVENUE

LEASE
FOR
OFFICE SPACE

TABLE OF CONTENTS

Table of Contents
(continued)

4733 BETHESDA AVENUE

OFFICE LEASE

THIS LEASE (the "Lease") is made and entered into this 16th day of September, 1998, by and between TRIZECHAHN PLAZA WEST LIMITED PARTNERSHIP, a Maryland limited partnership ("Landlord") and R-TECH UENO (USA), INC., a Delaware corporation ("Tenant").

In consideration of the Rent hereinafter reserved and the agreements hereinafter set forth, Landlord and Tenant mutually agree as follows:

1. DEFINITIONS

Except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meanings assigned to them in this Section:

A. *Alterations*: Any improvements, alterations, fixed decorations or modifications, structural or otherwise, to the Premises, the Building or the Land, as defined below, including but not limited to the installation or modification of carpeting, partitions, counters, doors, air conditioning ducts, plumbing, piping, lighting fixtures, wiring, hardware, locks, ceilings and window and wall coverings.

B. *Base Year:* Calendar year 1998.

C. *Building*: The building located at 4733 Bethesda Avenue in Bethesda, Maryland, in which the Premises are located. Except as expressly indicated otherwise, the term "Building" shall include all portions of said building, including but not limited to the Premises, the Common Areas and the garage.

D. *Common Areas*: Those areas of the Building and/or Land, as the case may be, made available by Landlord for use by Tenant in common with the Landlord, other tenants of the Building and the employees, agents and invitees of Landlord and of such other tenants.

E. *Consumer Price Index (Regular and Base)*: [Intentionally omitted.]

F. *Default Rate*: That rate of interest which is five (5) percentage points above the annual rate of interest which is publicly announced by NationsBank of D.C. or its successor entity, if applicable ("NationsBank") from time to time as its "prime" rate of interest, irrespective of whether such rate is the lowest rate of interest charged by NationsBank to commercial borrowers. In the event that NationsBank ceases to announce such a prime rate of interest, Landlord, in Landlord's reasonable discretion, shall designate the prime rate of interest by another bank located in the Washington, D.C. metropolitan area, which shall be the prime rate of interest used to calculate the default rate.

G. *Fiscal Year*: Each consecutive twelve (12) month period during the Term of this Lease that commences on January 1 and concludes on December 31, inclusive.

H. *Ground Leases*: All ground and other underlying leases from which Landlord's title to the Land and/or the Building is or may in the future be derived. "Ground Lessors" shall denote those persons and entities holding such ground or underlying leases.

I. *Holidays:* New Year's Day, Presidents' Day, Martin Luther King, Jr.'s Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day, Christmas Day and any other holidays designated by an executive order of the President of the United States or by Act of Congress.

J. *Land*: The real estate that supports the Building, and all associated easements.

K. *Tenant's Work*: All work to be performed by Landlord under the Work Agreement, including Additional Tenant Work (as defined in Exhibit C).

L. *Lease Commencement Date*: The date this Lease commences, as determined pursuant to Subsection 2.A. below.

M. *Lease Year*: That period of twelve (12) consecutive calendar months that commences on the first day of the calendar month in which the Lease Commencement Date occurs, and each consecutive twelve (12) month period thereafter. The earliest such twelve (12) month period shall be referred to as the "first Lease Year" and each of the following Lease Years shall similarly be numbered for identification purposes.

N. *Mortgages*: All mortgages, deeds of trust and similar security instruments which may now or in the future encumber or otherwise affect the Building or the Land, including mortgages related to both construction and permanent financing. "Mortgages" shall denote those persons and entities holding such mortgages, deeds of trust and similar security instruments.

O. *Operating Expenses*: All costs and expenses incurred by Landlord during any Fiscal Year, as defined in Subsection 1.G. above, in managing, operating and maintaining the Building and the Land, as determined by Landlord in accordance with an accounting system established and regularly applied by Landlord. Such costs and expenses shall include, but not be limited to, the cost of water, gas, sanitary sewer, storm sewer, electricity and other utilities, trash removal, telephone services, insurance, janitorial and char services and supplies, security services, labor costs (including social security taxes and contributions and fringe benefits), charges under maintenance and service contracts (including but not limited to chillers, boilers, elevators, window and security services), central heating and air conditioning, management fees, business taxes, license fees, public space and vault rentals and charges, costs, charges and other assessments made by or for any entity operating a business improvement district in which the Building is located, condominium fees, assessments, dues, expenses, and other charges which are paid by Landlord as a result of the Building, the Land or part or all of both being part of a condominium, and the cost of any equipment or services provided by Landlord in connection with the servicing, operation, maintenance, repair and protection of the Building and the Land and related exterior appurtenances (whether or not provided on the Lease Commencement Date). Operating Expenses shall include the cost of capital improvements made by Landlord to manage, operate or maintain the Building, together with any financing charges incurred in connection therewith, provided that such costs shall be amortized over the useful life of the improvements

and only the portion attributable to the Fiscal Year shall be included in Operating Expenses for the Fiscal Year, except that no portion thereof which is attributable to any capital improvement which is completed at any time prior to the expiration of the Base Year shall be included in Operating Expenses for any Fiscal Year (including, but not limited to, the Base Year). Operating Expenses shall not include: (i) Real Estate Tax Expenses; (ii) payments of principal and interest on any Mortgages, (iii) leasing commissions, or (iv) costs of preparing, improving or altering any space in preparation for occupancy of any new or renewal tenant. In the event that, during any Fiscal Year or portion thereof during the Term, Landlord shall furnish any utility or service which is included in the definition of Operating Expenses to less than one hundred percent (100%) of the rentable area of the Building because (i) less than all of the rentable area of the Building is occupied, (ii) any such utility or service is not desired or required by any tenant, or (iii) any tenant is itself obtaining or providing any such utility or service, then the Operating Expenses for such fiscal Year shall be increased to equal the total expenses that Landlord reasonably estimates it would have incurred if Landlord had provided all such utilities and services to one hundred percent (100%) of the rentable area of the Building for the entire Fiscal Year. For example, if the average occupancy rate of the Building during a Fiscal Year is eighty percent (80%), the janitorial contractor's charges are $1.00 per occupied rentable square foot per year, and the Building contains one hundred thousand (100,000) rentable square feet of space, then it would be reasonable for Landlord to estimate that, if the Building had been one hundred percent (100%) occupied during the entire Fiscal Year, janitorial charges for such Fiscal Year would have been One Hundred Thousand Dollars ($100,000) and to compute the Operating Expenses for such Fiscal Year accordingly. In no event shall the provisions of this paragraph be used to enable Landlord to collect from the tenants of the Building more than one hundred percent (100%) of the costs and expenses incurred by Landlord in managing, operating and maintaining the Building and the Land.

P. *Premises*: 3,073 square feet of rentable space on the third (3rd) floor of the Building known as suite 348, as shown on the floor plan attached hereto as Exhibit A.

Q. *Premises' Standard Electrical Capacity*: The electrical capacity sufficient to support Tenant's balanced consumption of five (5) watts per square foot of rentable area.

R. *Real Estate Tax Expenses*: All taxes and assessments, general or special, ordinary or extraordinary and foreseen or unforeseen, that are assessed, levied or imposed upon the Building and/or the Land, under any current or future taxation or assessment system or modification of or supplement or substitute for, such system, whether or not based on or measured by the receipts or revenues from the Building or the Land (including all taxes and assessments for public improvements or any other purpose and any gross receipts or similar taxes). Real Estate Tax Expenses also shall include all reasonable expenses incurred by Landlord in obtaining or attempting to obtain a reduction of any such taxes, rates or assessments, including but not limited to legal fees, but shall not include any taxes on Tenant's Personal Property or other tenants' personal property, which taxes are the sole obligation of each tenant.

S. *Rent*: All Base Rent and Additional Rent.

(1) Base Rent: The amount payable by Tenant pursuant to Subsection 4.A. below.

(2) Additional Rent: All sums of money payable by Tenant pursuant to this Lease other than Base Rent.

(3) Monthly Rent: A monthly installment of Base Rent and Additional Rent, if any, which shall equal one-twelfth (1/12th) of Base Rent and Additional Rent then in effect.

T. *Tenant's Personal Property*: All equipment, improvements, furnishings and/or other property now or hereafter installed or placed in or on the Premises by and at the sole expense of Tenant or with Tenant's permission (other than any property of Landlord), with respect to which Tenant has not been granted any credit or allowance by Landlord, and which (i) is removable without damage to the Premises, the Building and the Land, and (ii) is not a replacement of any property of Landlord, whether such replacement is made at Tenant's expense or otherwise. Notwithstanding any other provision of this Lease, Tenant's Personal Property shall not include any improvements or other property installed or placed in or on the Premises as part of Tenant's Work, whether or not any such property was purchased or installed at Tenant's expense.

U. *Unavoidable Delay*: Any delays due to strikes, labor disputes, shortages of material, labor or energy, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or any other causes beyond the control of Landlord.

V. *Work Agreement*: Exhibit C, which terms are hereby expressly incorporated in this Lease.

2. TERM.

A. *Term of Lease*: The term of this Lease (the "Term") shall commence on a date (the "Lease Commencement Date"), as defined below, and shall terminate at midnight on the day preceding the fifth (5th) anniversary of the Lease Commencement Date, or such earlier date on which this Lease is terminated pursuant to the provisions hereof (the "Lease Expiration Date"). The Lease Commencement Date shall be the earlier of (i) the date Tenant commences occupancy of any part of the Premises; or (ii) that date on which Landlord notifies Tenant that Tenant's Work is "substantially complete," as defined in paragraph 6 of the Work Agreement. Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord for the Term.

B. *Declarations*: If requested by Landlord at any time during the Term, Tenant promptly will execute a declaration in the form attached hereto as Exhibit B.

C. *Effective Date*: The rights and obligations set forth in this Lease, except for the obligation to pay Rent and as otherwise specifically provided herein to the contrary shall become effective on the date of final execution of this Lease.

3. WORK AGREEMENT.

Landlord agrees to improve the Premises in accordance with the Work Agreement, but shall have no other obligation to make any improvements or alterations to the Premises;

provided, however, that Landlord shall install a sprinkler system within the Premises at Landlord's sole cost and expense.

4. RENT.

From and after the Lease Commencement Date, Tenant shall pay to Landlord such Base Rent and Additional Rent as are set forth in this Section 4 and in Section 5 below.

A. *Base Rent*: Base Rent shall equal the following amounts:

Lease Year	Base Rent Per Square Foot Per Annum	Base Rent Per Annum	Monthly Base Rent
1	$25.75	$79,129.75	$6,594.15
2	$26.52	$81,495.96	$6,791.33
3	$27.32	$83,954.36	$6,996.20
4	$28.14	$86,474.22	$7,206.19
5	$28.98	$89,055.54	$7,421.30

Tenant shall pay Base Rent to Landlord in equal monthly installments ("Monthly Base Rent") in advance on the first day of each calendar month during the Term, without notice, except that the first monthly installment of Base Rent shall be paid upon execution of this Lease. If the Lease Commencement Date occurs on a date other than the first day of a calendar month, Tenant shall receive a credit equal to the Monthly Base Rent multiplied by the number of days in said calendar month prior to the Lease Commencement Date and divided by the number of days in such month, which credit shall be applied toward the Installment of Monthly Base Rent next due hereunder. If the Lease Expiration Date occurs after the expiration of the last numbered Lease Year set forth above in this Section 4.A. for which an amount of Monthly Base Rent is specified, then Monthly Base Rent shall continue to be payable by Tenant at such rate for each month or portion of a month thereafter which is prior to the Lease Expiration Date.

B. *Payment*: All Base Rent and Additional Rent due and payable to Landlord under this Lease shall be made payable to TrizecHahn Plaza West Limited Partnership and delivered to TrizecHahn Plaza West Limited Partnership at NationsBank, P.O. Box #631337, Baltimore, MD 21263-1337. Payments of Rent (other than in cash), if initially dishonored, shall not be considered rendered until ultimately honored as cash by Landlord's depository. Except as expressly set forth otherwise in this Lease, Tenant will pay all Rent to Landlord without demand, deduction, set-off or counter-claim.

C. *Late Fee*: If Tenant fails to make any payment of Rent on or before the date when payment is due, then Tenant also shall pay to Landlord a late fee equal to five percent (5%) of the amount that is past due for each month or part thereof until such Rent is fully paid. Said late fee shall be deemed reimbursement to Landlord for its costs of carrying and processing Tenant's

delinquent account. Acceptance by Landlord of said late fee shall not waive or release any other rights or remedies to which Landlord may be entitled on account of such late payment.

D. *Arbitration*: Any statement provided to Tenant by Landlord pursuant to Section 5 below shall be conclusive and binding upon Tenant unless, within thirty (30) days after receipt thereof, Tenant notifies Landlord of the respects in which the statement is claimed to be incorrect. Unless otherwise mutually agreed, any such dispute shall be determined by arbitration in the jurisdiction in which the Premises are located in accordance with the then current commercial rules of the American Arbitration Association. The costs of the arbitration shall be divided equally between Landlord and Tenant, except that each party shall bear the cost of its own legal fees, unless (i) the arbitration results in a determination that Landlord's statement contained a discrepancy of less than five percent (5%) in Landlord's favor, in which event Tenant shall bear all costs incurred in connection with such arbitration, including, without limitation, reasonable legal fees, or (ii) the arbitration results in a determination that Landlord's statement contained a discrepancy of at least five percent (5%) in Landlord's favor, in which event Landlord shall bear all costs incurred in connection with such arbitration, including, without limitation, reasonable legal fees. Pending determination of any dispute, Tenant shall pay all amounts due pursuant to the disputed statement, but such payments shall be without prejudice to Tenant's position. Upon at least fifteen (15) days notice to Landlord, Tenant shall have reasonable access during normal business hours and at Tenant's expense, to appropriate books and records of Landlord relating to the amount of expenses covered by the disputed statement, for the purpose of verifying the statement. Any such review shall be made only by Tenant's employees and/or by an auditor hired by Tenant who is a Certified Public Accountant and who is employed on other than a contingent fee basis.

5. ADDITIONAL RENT

A. *To Cover Consumer Price Index Increases*: **[Intentionally omitted.]**

B. *To Cover Increased Operating and Real Estate Tax Expenses*:

(1) *Definitions*: As used herein, "Increased Operating Expenses" shall equal the amount by which Operating Expenses incurred during such Fiscal Year exceed the Operating Expenses incurred during the Base Year and "Tenant's Share of Increased Operating Expenses" shall be that percentage of Increased Operating Expenses which is the equivalent of the number of square feet of rentable area in the Premises (3,073 on the Lease Commencement Date) divided by the number of square feet of rentable area of office space in the Building (97,815 on the Lease Commencement Date). As used herein, "Increased Real Estate Tax Expenses" shall equal the amount by which Real Estate Tax Expenses incurred during such Fiscal Year exceed the Real Estate Tax Expenses incurred during the Base Year, and "Tenant's Share of Increased Real Estate Tax Expenses" shall be that percentage of Increased Real Estate Tax Expenses which is equivalent to the number of square feet of rentable area in the Premises divided by the number of square feet of rentable area (both office and retail) in the Building (97,815 on the Lease Commencement Date). However, in no event shall any of the aforesaid sums be less than zero.

(2) *Payment of Tenant's Share*: Commencing on the first anniversary of the Lease Commencement Date, in addition to all other Rent set forth herein, for each Fiscal Year during

the Term, Tenant shall pay to Landlord as Additional Rent an amount equal to the sum of Tenant's Share of Increased Operating Expenses and Tenant's Share of Increased Real Estate Tax Expenses; provided, however, that (a) for the Fiscal Years during which the Term begins and ends, Tenant's Share of the aforesaid sum shall be prorated based upon the greater of: (i) the number of days during such Fiscal Year that this Lease is in effect, or (ii) the number of days that Tenant actually occupies the Premises or any portion thereof, and (b) for the Fiscal Year during which Tenant's obligations to pay Tenant's Share of the aforesaid sum commences, Tenant's Share shall be prorated based upon the number of days in the period commencing on the date that Tenant's Share to pay the aforesaid sum commenced and concluding on the last day of such Fiscal Year.

C. *Statements*:

(1) **[Intentionally omitted.]**

(2) Commencing with the Fiscal Year which includes the first anniversary of the Lease Commencement Date, and for each Fiscal Year thereafter, Landlord shall deliver to Tenant a statement estimating Tenant's Share of Increased Operating Expenses and Increased Real Estate Tax Expenses for such Fiscal Year, which Tenant shall pay in equal monthly installments in advance on the first day of each calendar month during each Fiscal Year. Tenant shall continue to pay such estimated Increased Operating and Real Estate Tax Expenses until Tenant receives the next such statement from Landlord, at which time Tenant shall commence making monthly payments pursuant to Landlord's new statement; provided, however, that Landlord shall not revise its estimate of Tenant's Share of Increased Operating Expenses and Tenant's Share of Increased Real Estate Tax Expenses from what such estimated sums were during the immediately preceding Fiscal Year more than twice during any Fiscal Year. With the first payment of Additional Rent herein which is due at least fifteen (15) days after Tenant's receipt of a statement from Landlord specifying Tenant's Share of estimated Increased Operating and Real Estate Tax Expenses payable during the Fiscal Year, Tenant shall pay the difference between its monthly share of such sums for the preceding months of the Fiscal Year and the monthly installments which Tenant has actually paid for said preceding months.

D. *Retroactive Adjustments*: After the end of the Fiscal Year which includes the first anniversary of the Lease Commencement Date, and after the end of each Fiscal Year thereafter, Landlord shall determine the actual Increased Operating Expenses and Increased Real Estate Tax Expenses for such Fiscal Year. Landlord shall calculate the foregoing sums and shall provide to Tenant a statement of Tenant's Share of Increased Operating Expenses and Increased Real Estate Tax Expenses for the Fiscal Year. Within thirty (30) days after delivery of any such statement, Tenant shall pay to Landlord any deficiency between the amount shown as Tenant's Share of Increased Operating and Real Estate Tax Expenses for the Fiscal Year and the estimated payments made by Tenant. Tenant shall be credited with any excess estimated payments toward subsequent Rent payments by Tenant.

E. *Change in or Contest of Taxes*: In the event of any change by any taxing body in the period or manner in which any of the Real Estate Tax Expenses are levied, assessed or imposed, Landlord shall have the right, in its sole discretion, to make equitable adjustments with respect to computing increases in Real Estate Tax Expenses. Real Estate Tax Expenses which

are being contested by Landlord shall be included in computing Tenant's Share of Increased Real Estate Tax Expenses under this Section, but if Tenant shall have paid Rent on account of contested Real Estate Tax Expenses and Landlord thereafter receives a refund of such taxes, Tenant shall receive a credit toward subsequent Rent payments in an amount equal to Tenant's Share of such refund.

F. *Sales, Use or Other Taxes*: If during the Term any governmental authority having jurisdiction over the Building or the Land levies, assesses, or imposes any tax on Landlord, the Premises, the Building or the Land or the rents payable hereunder, in the nature of a sales tax, use tax or any tax except (i) taxes on Landlord's income, (ii) estate or inheritance taxes, or (iii) Real Estate Tax Expenses, then Tenant shall pay its proportionate share to Landlord within fifteen (15) days after receipt by Tenant of notice of the amount of such tax.

6. USE

A. *Permitted Use*: Tenant shall use and occupy the Premises solely for office and administrative activities directly related thereto and for no other purpose.

B. *Legal and Other Restrictions of Tenant's Use*: In its use of the Premises, Tenant shall comply with all present and future laws, regulations (including but not limited to fire and zoning regulations) and ordinances of all other public and quasi-public agencies having jurisdiction over the Land or the Building. Tenant shall not use the Land, the Building or use or occupy the Premises for any unlawful, disorderly or hazardous purposes or in a manner which will interfere with the rights of Landlord, other tenants or their invitees or in any way injure or annoy any of them. In furtherance of the foregoing and not in limitation thereof, Tenant shall be responsible, at its sole cost and expense, for compliance of the Premises with the Americans with Disabilities Act and all regulations promulgated thereunder (collectively, the "ADA"), and Landlord shall be responsible, at its sole cost and expense, which shall be includable in Operating Expenses, for compliance of the base building components of the Building and the Common Areas with the ADA. Tenant acknowledges that such compliance of the base building components of the Building and of the Common Areas with the ADA may not exist on the Lease Commencement Date.

7. CARE OF PREMISES.

Tenant shall at its expense keep the Premises (including all improvements, fixtures and other property located therein) in a neat and clean condition and in good order and repair, and will suffer no waste or injury thereto. Tenant shall surrender the Premises at the end of the Term in as good order and condition as they were in on the Lease Commencement Date, ordinary wear and tear excepted.

8. ALTERATIONS BY TENANT.

A. *Making of Alterations; Landlord's Consent*: Tenant shall not make or permit to be made any Alterations without the prior written consent of Landlord both as to whether the Alterations may be made and as to how and when they will be made, which consent shall not be unreasonably withheld or delayed with respect to any proposed Alteration which would not affect any of the Building's operating systems or any of the structural components of the

Building. Any Alterations shall be made at Tenant's expense by its contractors and subcontractors and in accordance with complete plans and specifications approved in advance in writing by Landlord, and only after Tenant (i) has obtained all necessary permits from governmental authorities having jurisdiction and has furnished copies thereof to Landlord, (ii) has submitted to Landlord an architect's certificate that the Alterations will conform to all applicable laws and regulations, and (iii) has complied with all other requirements reasonably imposed by Landlord, including without limitation any requirements due to the underwriting guidelines of Landlord's insurance carriers. Landlord's consent to any Alterations and approval of any plans and specifications constitutes approval of no more than the concept of these Alterations and not a representation or warranty with respect to the quality or functioning of such Alterations, plans and specifications. Tenant shall be and is solely responsible for the Alterations and for the proper integration thereof with the Building, the Building's systems and existing conditions. Landlord shall have the right, but not the obligation, to supervise the making of any Alterations. If any Alterations are made without the prior written consent of Landlord or which do not conform to plans and specifications approved by Landlord or to other conditions imposed by Landlord pursuant to this Section, Landlord may, in its sole discretion, correct or remove such Alterations at Tenant's expense. Following completion of any Alterations, at Landlord's request, Tenant either shall deliver to Landlord a complete set of "as built" plans showing the Alterations or shall reimburse Landlord for any expense incurred by Landlord in causing the Building plans to be modified to reflect the Alterations.

B. *No Liens*: Tenant shall take all necessary steps to ensure that no mechanic's or materialmen's liens are filed against the Premises, the Building or the Land as a result of any Alterations made by the Tenant. If any mechanic's lien is filed, Tenant shall discharge the lien within ten (10) days thereafter, at Tenant's expense, by paying off or bonding the lien.

9. EQUIPMENT.

A. *Permitted Equipment*: Tenant shall not install or operate in the Premises any equipment or other machinery that, in the aggregate, will cause Tenant to use more than the Premises' Standard Electrical Capacity, without (i) obtaining the prior written consent of Landlord, who may condition its consent upon the payment by Tenant of Additional Rent for additional consumption of utilities, additional wiring or other expenses resulting therefrom, (ii) securing all necessary permits from governmental authorities and utility companies and furnishing copies thereof to Landlord, and (iii) complying with all other requirements reasonably imposed by Landlord. Prior to the Lease Commencement Date, Tenant shall provide Landlord with a list of all equipment that Tenant intends to install or operate in the Premises which operate on more than one hundred twenty (120) volts, and Tenant shall provide Landlord with an updated list of such equipment prior to the installation or use of any additional equipment which operates on more than one hundred twenty (120) volts. Tenant shall not install any equipment or machinery which may necessitate any changes, replacements or additions to or material changes in the use of water, heating, plumbing, air conditioning or electrical systems of the Building without obtaining the prior written consent of Landlord, who may withhold its consent in its reasonable discretion, except that with respect to any material changes in use or any changes, replacements or additions which would have an adverse effect (as determined by Landlord in its sole and absolute discretion) on any of such systems, Landlord may withhold its consent in its sole and absolute discretion.

B. *Payment For Excess Utility Usage*: If Tenant's equipment shall result in electrical demand in excess of the Premises' Standard Electrical Capacity, Landlord shall have the right, in its sole discretion, to install additional transformers, distribution panels, wiring and other applicable equipment at the expense of Tenant. None of the equipment so installed shall be deemed to be Tenant's Personal Property. If at any time during the Term, Tenant's connected electrical load from its use of equipment and fixtures (including incandescent lighting and power), as estimated by Landlord, exceeds the Premises' Standard Electrical Capacity, then Landlord may, at its option (i) install separate electrical meter(s) for the Premises, or (ii) cause a survey to be made by an independent electrical engineer or consulting firm to determine the amount of electricity consumed by Tenant beyond the Premises' Standard Electrical Capacity. Tenant shall reimburse Landlord for the cost of the installation of said meter(s) or completion of said meter(s) or survey, and shall pay as Additional Rent the cost of any electricity in excess of an average of the Premises' Standard Electrical Capacity, at the rate charged by the utility company providing such electricity, assuming continuous business hours, within ten (10) days after receipt of any bill therefor from Landlord.

C. *Noise, Vibration, Floor Load*: Business machines and equipment belonging to Tenant, which cause noise or vibration that may be transmitted to any part of the Building to such a degree as to be objectionable to Landlord or to any tenant of the Building, shall be installed and maintained by Tenant at Tenant's expense on devices that eliminate the noise and vibration. Tenant shall not place any load upon the floor of the Premises which exceeds the per square foot load the floor was designed to carry (eighty (80) pounds per square foot for live loads and twenty (20) pounds per square foot for dead loads).

10. OWNERSHIP AND REMOVAL OF PROPERTY.

A. *Landlord's Property*: Any Alterations and other improvements and any equipment, machinery, furnishings and other property, installed or located in the Premises, the Building or the Land by or on behalf of Landlord or Tenant, except for Tenant's Personal Property: (i) shall immediately become the property of Landlord, and (ii) shall be surrendered to Landlord with the Premises as a part thereof at the end of the Term; provided, however, that if Landlord requests Tenant to remove any Alterations installed by or on behalf of Tenant, Tenant shall cause the same to be removed at Tenant's expense on or before the Lease Expiration Date, or shall reimburse Landlord for the cost of such removal, as elected by Landlord (unless Landlord expressly waives in writing the right to require such removal at the time Landlord give its consent to the making of such Alterations). Notwithstanding the foregoing, Tenant, upon submitting its request to Landlord to make Alterations (including, but not limited to, Tenant's Work), shall have the right to request therein that Landlord specify whether and to what extent Landlord will require Tenant to remove the Alterations in question at the end of the Term, provided that Tenant refers therein to the provisions of this Section 10.A. If Tenant shall fail to request such information in its request to make any Alterations, such right shall be deemed null and void as to the Alterations in question, and all such Alterations shall thereafter be subject to the exercise of Landlord's rights and to Tenant's obligations set forth in the first sentence of this Section 10.A. If Tenant submits its request for such information in accordance with the foregoing provisions and Landlord consents to the Alterations requested, Landlord shall, together with its consent, specify in writing whether and to what extent it will require Tenant to remove the Alterations in question at the end of the Term, and if Landlord fails so to specify, Tenant

shall have no further obligation to remove the Alterations which were the subject of Tenant's request.

B. *Removal of Property At End of Term*: Tenant shall remove all of Tenant's Personal Property, and all computer cabling and wiring installed by or on behalf of Tenant (irrespective of whether such cabling and wiring constitutes Tenant's Personal Property under the terms of this Lease, and at Tenant's expense, using a contractor approved in advance by Landlord in writing), from the Building and the Land on or before the Lease Expiration Date. Any personal property belong to Tenant or to any other person or entity which is left in the Building or on the Land after the date this Lease is terminated for any reason shall be deemed to have been abandoned. In such event, Landlord shall have the right to store such property at Tenant's sole cost and/or to dispose of it in whatever manner Landlord considers appropriate, without waiving its right to claim from Tenant all expenses and damages caused by Tenant's failure to remove such property, and Tenant and any other person or entity shall have no right to compensation from or any other claim against Landlord as a result.

11. LANDLORD'S ACCESS TO PREMISES.

Upon such notice to Tenant as is reasonable under the circumstances (which notice may be given orally and which notice shall not be required in the event of an emergency), Landlord may at any reasonable time enter the Premises to examine them, to make alterations or repairs thereto or for any other purposes which Landlord considers necessary or advisable; however, in the case of any emergency, Landlord and its agents may enter the Premises at any time and in any manner. Tenant shall allow the Premises to be exhibited by Landlord: (i) at any reasonable time to representatives of lending institutions or to prospective purchasers of the Building, and (ii) at any reasonable time to persons who may be interested in leasing the Premises. Landlord reserves the right and shall be permitted reasonable access to the Premises to install facilities within and through the Premises and to install and service any systems deemed advisable by Landlord to provide services or utilities to any tenant of the Building. Landlord shall use reasonable efforts to avoid material interference with Tenant's business operations in Landlord's exercise of any of its rights under this Section 11.

12. SERVICES AND UTILITIES

A. *Services Provided*: As long as Tenant is not in Default, as defined in Subsection 19.A. below, Landlord shall provide the following to Tenant, without additional charge, except as otherwise provided herein (including, but not limited to, as provided in Sections 5 and 1.O, hereof):

(1) Elevator service for common use, subject to call at all times, including Sundays and Holidays.

(2) Central heating and air conditioning from 8:00 a.m. until 6:00 p.m. on weekdays and from 9:00 a.m. until 1:00 p.m. on Saturdays, exclusive of Holidays, during the seasons of the year and within the temperature ranges usually furnished in comparable office buildings in the city (or, if not a city, other local jurisdiction) in which the Building is located. Landlord shall provide heat and air conditioning at other times at Tenant's expense, provided that Tenant gives

Landlord notice by 1:00 p.m. on weekdays for after-hour service on the next weekday, two (2) business days' notice before a Holiday for service on such Holiday and two (2) business days' notice for after-hours service on Saturday or Sunday. Landlord shall charge Tenant for such after-hour, Holiday and special weekend service at the prevailing rates charged by Landlord from time to time to other tenants of the Building.

(3) Cleaning and char services after 5:00 p.m. Monday through Friday, excluding Holidays, in a manner comparable to the manner in which such services are performed in comparable buildings in Bethesda, Maryland.

(4) Electrical facilities to furnish electricity up to the Premises' Standard Electrical Capacity (including the replacement of Building standard light bulbs in Building standard light fixtures, it being agreed that if Landlord replaces any other light bulbs in the Premises, Tenant shall pay Landlord the cost of such bulbs and all labor costs incurred by Landlord in connection therewith within fifteen (15) days after Landlord's written demand therefor).

(5) Rest room facilities.

(6) Routine maintenance, painting and electrical lighting service for all Common Areas of the Building in such manner as Landlord deems reasonable.

(7) Reasonable access to the Premises at all times, subject to such security procedures, restrictions and other regulations as Landlord may promulgate.

B. *Failure to Provide Services*: Landlord shall have no liability to Tenant or others based on any failure by Landlord to furnish the foregoing, due to Unavoidable Delays, repair or maintenance work or any other reason, and such failure shall neither render Landlord liable for damages to either person or property; nor be construed as an eviction of Tenant, nor cause a diminution or abatement of Rent nor relieve Tenant of any of Tenant's obligations hereunder. If any of the services described in Section 12.A. hereof is suspended and such suspension renders the Premises untenantable and continues for more than ten (10) consecutive business days, if the reason for the suspension is other than an Unavoidable Delay, all Rent due hereunder shall be abated for the period commencing on the eleventh (11th) consecutive business day of such suspension and concluding on the date that the service has been restored.

C. *Conservation*: Tenant hereby agrees to comply with all energy conservation procedures, controls and requirements instituted by Landlord pursuant to any government regulations or otherwise, including but not limited to controls on the permitted range of temperatures, the volume of energy consumption or the hours of operation of the Building. Institution by Landlord of such controls and requirements shall not entitle Tenant to terminate this Lease, or to an abatement of any Rent payable hereunder.

D. *Recycling*: Without limiting the foregoing, Tenant covenants and agrees, at its sole cost and expense, to comply with all present and future laws, orders and regulations of the jurisdiction in which the Building is located and of the federal, municipal, and local governments, departments, commissions, agencies and boards, having jurisdiction over the Building to the extent that they or this Lease impose on Tenant duties and responsibilities regarding the collection, sorting, separation and recycling of trash. Tenant shall pay all costs,

expenses, fines, penalties, or damages that may be imposed on Landlord or Tenant by reason of Tenant's failure to comply with the provisions of this Section 12.D., and at Tenant's sole cost and expense, shall indemnify, defend and hold Landlord harmless (including legal fees and expenses) from and against any actions, claims, and suits arising from such noncompliance by Tenant, using counsel reasonably satisfactory to Landlord.

13. RULES AND REGULATIONS.

Tenant shall abide by and observe the rules and regulations attached hereto as Exhibit D and such other rules and regulations as may be made by Landlord from time to time, provided that such rules and regulations shall not be materially inconsistent with the provisions of this Lease. Nothing contained in this Lease or in any rules and regulations shall be interpreted to impose upon Landlord any obligations to enforce against any tenant its rules and regulations, or the provisions of any lease with any other tenant, and Landlord shall not be liable to Tenant or any other entity for any violation of said rules, regulations or lease provisions.

14. REPAIR OF DAMAGE CAUSED BY TENANT: INDEMNIFICATION.

A. *Repairs*: Except as otherwise expressly provided in this Lease, all injury, breakage and damage to the Land, the Building or the Premises, caused by any act or omission of Tenant shall be repaired by and at the sole expense of Tenant, except Landlord shall have the right, at its option, to make such repairs after the expiration of such opportunity for Tenant to make such repairs, if any, as Landlord deems reasonable under the circumstances and to charge Tenant for all costs and expenses incurred in connection therewith as Additional Rent payable within ten (10) days after the rendering of a bill therefor. Tenant shall notify Landlord promptly of any injury, breakage or damage to the Land, the Building, or the Premises caused by Tenant.

B. *Indemnification*: Tenant hereby agrees to indemnify and hold Landlord harmless from and against all costs, damages, claims, liabilities and expenses including attorneys' fees, suffered by or claimed against Landlord, directly or indirectly, based on, arising out of or resulting from: (i) Tenant's use and occupancy of the Premises or the business conducted by Tenant therein or Tenant's presence in the Building or on the Land (ii) the making by Tenant of any Alterations, (iii) any act or omission of Tenant or its employees, agents or invitees, and (iv) any breach or default by Tenant in the observance or performance of its covenants and obligations under this Lease.

15. LIMITATION ON LANDLORD LIABILITY.

A. *Liability Standard*: Landlord shall not be liable to Tenant or any other individual or entity for any damage, loss or claim whatsoever, except damages, losses and claims that are the direct result of Landlord's gross negligence or willful misconduct; however, in no event shall Landlord be liable for consequential damages.

B. *Limitation on Total Liability*: Notwithstanding any other provision of this Lease, it is expressly understood and agreed that the total liability of Landlord arising out of or in connection with this Lease, the relationship of Landlord and Tenant hereunder and/or Tenant's use of the Premises shall be limited to the estate of Landlord in the Land and the Building. No other property or assets of Landlord or any partner or owner of Landlord shall be subject to levy,

execution, or other enforcement proceedings or other judicial process for the satisfaction of any judgment or any other right or remedy of Tenant arising out of or in connection with this Lease, the relationship of Landlord and Tenant hereunder and/or Tenant's use of the Premises.

16. FIRE AND OTHER CASUALTY.

If the Premises shall be damaged by fire or other casualty, other than as a result of the negligence or misconduct of Tenant, the Lease shall not terminate and, upon adjustment of insurance claims, Landlord shall repair the damage, provided that Landlord shall have no obligation to repair damage to or replace Tenant's Personal Property. Except as otherwise provided herein, if any part of the Premises are rendered untenantable by reason of any such damage, Rent, shall abate from the date of the damage to the date the damage is repaired, as determined by Landlord, in the proportion that the area of the untenantable part bears from time to time to the total area of the Premises. No compensation or reduction of Rent shall be paid or allowed for inconvenience, annoyance or injury to Tenant or Tenant's business arising from any damage to or repair of the Premises or the Building.

Notwithstanding the foregoing, if Landlord does not receive sufficient insurance proceeds to fully repair the damage or if the Building shall be so damaged that, as determined by Landlord, substantial reconstruction of the Premises or the Building is required (whether or not the Premises have been damaged), then Landlord, at its option, may give Tenant, within sixty (60) days after the casualty, written notice of termination of this Lease and this Lease and the Term shall terminate (whether or not the Term has commenced) upon the expiration of thirty (30) days from the date of the notice, with the same effect as if the new expiration date had been the date initially fixed for expiration of the Term, and all Rent shall be apportioned as of such date. If the restoration of the Premises and the Building has not been completed by the one hundred eightieth (180th) day following the date of the casualty, Tenant may terminate this Lease by written notice to Landlord, which notice shall be given by Tenant, if at all, within ten (10) business days following such 180th day.

If the Premises or the Building shall be damaged by fire or other casualty due to the gross negligence or any act of intentional misconduct of Tenant (i) Landlord shall have no obligation to repair the Premises or the Building, (ii) this Lease shall at Landlord's option, not terminate, and subject to clause (iii) of this sentence, Landlord shall repair the Premises or the Building, as the case may be, (iii) Landlord may at Tenant's expense (subject to the provisions of Section 17.E. hereof) repair the damage, and (iv) Landlord may pursue any legal and equitable remedies available to it.

17. TENANT INSURANCE.

A. *Types of Insurance Required*: Tenant, at its expense, shall obtain and maintain in effect at all times during the Term an insurance policy providing the following coverage:

(1) An "all risk" insurance policy covering all of Tenant's Personal Property within, and improvements and alterations to the Premises for not less than the full replacement value thereof. All proceeds of such insurance shall be used to repair or replace the items so insured.

(2) A commercial general liability policy on an occurrence basis, with the following limits:

Each occurrence limit for bodily injury and property damage	$ 1,000,000
General aggregate	$ 2,000,000
Product/completed operations aggregate	$ 2,000,000
Fire damage legal liability	$ 50,000
Medical payments (any one person)	$ 5,000

Said insurance shall name Landlord (in care of Landlord's management agent and referring to the Building by its address), Landlord's management agent and Mortgagee as an additional insured. The policy shall protect Landlord, Landlord's management agent, and the Mortgagee against any liability for bodily injury, personal injury, death or property damage occurring upon, in or about the Premises, the Building or the Land or arising out of or relating to any risks against which Tenant is required to indemnify Landlord, Landlord's management agent and the Mortgagee. From time to time during the Term, Landlord may require Tenant to increase said limits of said insurance to the limits of liability insurance then customarily required of tenants of other comparable office buildings in the city (or, if not a city, other local jurisdiction) in which the Building is located.

B. *Required Provisions of Policies:* All insurance policies required to be maintained by Tenant under these Lease must (i) be issued by insurance companies approved by Landlord, (ii) be in form and have content satisfactory to Landlord; (iii) be written as primary policy coverage and not contributing to or in excess of any coverage which Landlord or the Mortgagees may carry; (iv) contain an express waiver of any right of subrogation by the insurance company against Landlord, the Mortgagees and the Landlord's and the Mortgagees' employees and agents; and (v) provide that the policy may not be cancelled or permitted to lapse unless Landlord shall have received at least fifteen (15) days prior written notice of cancellation or non-renewal. Tenant shall deliver to Landlord (in care of Landlord's management agent and referring to the Building by its address) a certificate of insurance with respect to each such policy and any renewal policy, together with evidence of payment of all applicable premiums, at least ten (10) days before the Lease Commencement Date and at least thirty (30) days before the renewal of any policies. Any insurance required of Tenant under this Section may be carried under a blanket policy, provided that said policy shall specifically set forth the amount of insurance allocated to this Lease.

C. *Effect of Tenant's Activities on Insurance*: Tenant shall not conduct or permit to be conducted any activity, or place any equipment in or about the Land, the Building or the Premises which will increase the rate of, or make void or voidable, any fire or other insurance maintained or required to be maintained by Landlord or any Mortgagee on the Building, the Land or the property kept thereon or therein, which will conflict with the provisions of any such insurance policy or which will make it impracticable for Landlord to obtain insurance covering any risks against which Landlord reasonable deems it advisable to obtain insurance. In the event any increases in the rates of such insurance are, in Landlord's reasonable judgment, due to Tenant's presence in the Building, to any activity conducted or property installed or placed by Tenant on or about the Land, the Building or the Premises or to Alterations installed by Tenant or at Tenant's request, Tenant shall reimburse Landlord for the amount of such increases

promptly upon demand therefor. Statements by the applicable insurance company or insurance rating bureau that such increases are due to any activity, property or improvements shall be conclusive for the purposes of determining Tenant's liability hereunder.

D. *Termination Right*: Landlord shall have the right to terminate this Lease upon thirty (30) days notice to Tenant in the event Landlord receives notice from any of Landlord's insurance carriers that such carrier intends to cancel its insurance on the Building, or to increase the cost of such insurance by more than one hundred percent (100%) above the premium payable by Landlord immediately prior to such notice, due to the activities of Tenant or the presence of Tenant in the Building. However, Landlord shall not terminate this Lease in the event Landlord is able, with good faith efforts, to obtain equivalent insurance from an insurance carrier satisfactory to Landlord at a premium not more than one hundred percent (100%) greater than the premium for the cancelled insurance; provided that Tenant shall reimburse Landlord for all additional premiums charged to Landlord by such new insurance carrier. It is expressly understood that Landlord shall not have the right to terminate this Lease pursuant to this Subsection D, if any cancellation or rate increase is due to factors generally applicable to the insurance or rental market, rather than to Tenant's activities or presence in the Building.

E. *Waiver*: Except for gross negligence and intentional acts, Landlord and Tenant hereby each waive and release each other from any and all liabilities, claims and losses for which Landlord or Tenant is or may be held liable, to the extent either party: (i) receives insurance proceeds on account thereof, or (ii) is required to maintain insurance pursuant to this Section, whichever is greater.

18. CONDEMNATION.

A. *Landlord's Right to Terminate*: If a substantial part of the Premises, the Building or the Land is taken or condemned by any governmental authority for any purpose or is granted to any authority in lieu of condemnation (collectively, a "taking"), Landlord shall have the right in its sole discretion to terminate this Lease by written notice to Tenant, and upon the giving of such notice, the Term shall terminate as of the date title vests in the authority, and Rent shall be abated as of that date. For purposes of this Section, a substantial part of the Premises, the Land or the Building shall be considered to have been taken if, in the sole opinion of Landlord, the taking shall render it commercially undesirable for Landlord to permit this Lease to continue or to continue operating the Building.

B. *Adjustment of Rent*: If a portion of the Premises is taken and Landlord does not elect to terminate this Lease pursuant to the preceding paragraph, then Rent shall be equitably adjusted as of the date title vests in the authority and this Lease shall otherwise continue in full force and effect.

C. *Division of Award*: Tenant shall have no claim against Landlord arising out of or related to any taking, or for any portion of the amount that may be awarded as a result, and Tenant hereby assigns to Landlord all its rights, title and interest in and to any such award; provided, however, that Tenant may assert any claim it may have against the authority for compensation for Tenant's Personal Property and for any relocation expenses compensable by

statute, as long as such awards shall be made in addition to and stated separately from the award made for the Land, the Building and the Premises.

19. DEFAULT.

A. *Default of Tenant*: The following events shall be a default by Tenant (a "Default") under this Lease:

(1) Failure of Tenant to pay Rent as and when due, if the failure continues for three (3) days after notice from Landlord specifying the failure.

(2) Failure of Tenant to comply with or perform any covenant or obligation of Tenant under this Lease, other than those concerning the payment of Rent, if the failure continues for ten (10) days after notice from Landlord to Tenant specifying the failure.

(3) If, in Landlord's reasonable opinion, Tenant's activities or presence in the Premises results in a significant, continuing or repeated threat of physical danger to other tenants and/or users of the Building, whether or not Tenant is capable of controlling such threat.

(4) If Tenant, any guarantor of Tenant's performance hereunder (a "Guarantor") or, if Tenant is a partnership, any partner of Tenant ("Partner"), shall file a voluntary petition in bankruptcy or insolvency, shall be adjudicated bankrupt or insolvent or shall file a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal, state or other law, or shall make an assignment for the benefit of creditors, or shall seek or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant or of any Guarantor or Partner or of all or any part of the property of Tenant of such Guarantor or Partner.

(5) If, within thirty (30) days after the commencement of any proceeding against Tenant or a Guarantor or Partner, whether by the filing of a petition or otherwise, seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future applicable federal, state or other law, such proceeding shall not have been dismissed or if, within thirty (30) days after the appointment of any trustee, receiver or liquidator of Tenant or any Guarantor or Partner, or of all or any part of the property of Tenant or of any Guarantor or Partner, without the acquiescence of such individual or entity, such appointment shall not have been vacated or otherwise discharged or if any execution or attachment shall have been issued against the property of Tenant or of any Guarantor or Partner pursuant to which the Premises shall be taken or occupied or attempted to be taken or occupied.

(6) If Tenant fails to take possession of the Premises on the Lease Commencement Date or vacates, abandons or ceases to carry on its ordinary activities in the Premises prior to the Lease Expiration Date, with or without an intention of paying Rent.

B. *Remedies Upon Default*: Upon the occurrence of a Default, Landlord shall have the right, then or at any time thereafter:

(1) Without demand or notice, to reenter and take possession of all or any part of the Premises, to expel Tenant and those claiming through Tenant and to remove any property

therein, either by summary proceedings or by any other action at law, in equity or otherwise, with or without terminating this Lease, without being deemed guilty of trespass and without prejudice to any other remedies of Landlord for breach of this Lease, and/or

(2) To give Tenant written notice of Landlord's intent to terminate this Lease, and on the date specified in Landlord's notice, Tenant's right to possession of the Premises shall cease and this Lease shall terminate.

If Landlord elects to terminate this Lease, everything contained in this Lease on the part of the Landlord to be done shall cease, without prejudice to Landlord's right to recover from Tenant all Rent, as set forth in Subsections C. and D. below. If Landlord elects to reenter pursuant to Subsection B.(1) above, Landlord may terminate this Lease, or, from time to time without terminating this Lease, may relet all or any part of the Premises as the agent of Tenant, for such term, at such rental and upon such other provisions as Landlord deems acceptable, with the right to make any alterations and repairs to the Premises that Landlord deems appropriate, at Tenant's expense. No such reentry or taking of possession of the Premises shall be construed as an election to terminate this Lease, unless notice of such intention is given pursuant to Subsection B.(2) above, or unless termination be decreed by a court of competent jurisdiction at the instance of Landlord. Landlord shall in no event be under any obligation to relet any part of the Premises.

C. *Liability of Tenant*: If Landlord terminates this Lease or reenters the Premises (with or without terminating this Lease), Tenant shall remain liable (in addition to all other liabilities of Tenant accrued at the time of the Default) for the sum of (i) any unpaid Rent accrued prior to the time of termination and/or reentry, as the case may be, plus interest thereon from the due date at the Default Rate, (ii) all Base Rent and Additional Rent provided for in this Lease from the time of termination and/or reentry, as the case may be, until the date this Lease would have expired had a Default not occurred, plus interest thereon from the due date at the Default Rate, (iii) any and all expenses (including but not limited to attorneys' and brokerage fees) incurred by Landlord in reentering and repossessing the Premises, in correcting any default, in painting, altering or repairing the Premises in order to place the Premises in first-class rentable condition, (whether or not the Premises are relet), in protecting and preserving the Premises and in reletting or attempting to relet the Premises, and (iv) any other amounts necessary to compensate Landlord for any other injury or detriment caused by the Default, *minus* the net proceeds (after deducting any rental abatements, tenant improvement allowances and other concessions and inducements) actually received by Landlord, if any, from any reletting to the extent attributable to the period prior to the date this Lease would have expired had a Default not occurred. Landlord shall have the option to recover any damages sustained by Landlord either at the time of reletting, if any, or in separate actions from time to time as said damages shall have been made more easily ascertainable by a successive relettings or, at Landlord's option, to defer any such recovery until the date this Lease would have expired in the absence of a Default, in which event Tenant hereby agrees that the cause of action shall be deemed to have accrued on the aforesaid date. The provisions of this Section shall be in addition to, and shall not prevent the enforcement of, any claim Landlord may have for anticipatory breach of this Lease.

D. *Liquidated Damages*: In addition to Landlord's rights pursuant to Subsection C. above, if Landlord terminates this Lease, Landlord shall have the right at any time, at its sole

option, to require Tenant to pay to Landlord on demand, as liquidated damages, the sum of (i) the total of the Base Rent, Additional Rent and all other sums which would have been payable under this Lease from the date of Landlord's demand for liquidated damages ("Landlord's Demand") until the date this Lease would have terminated in the absence of the Default discounted to present value at the rate of five percent (5%) per annum (the "Discount Rate"), (ii) all unpaid Rent accrued prior to the time of Landlord's Demand, plus interest thereon from the due date at the Default Rate, (iii) any and all expenses (including but not limited to attorneys' and brokerage fees) incurred by Landlord in reentering and repossessing the Premises, in correcting any default, in painting, altering or repairing the Premises in order to place the Premises in first-class rentable condition (whether or not the Premises are relet), in protecting and preserving the Premises and in reletting or attempting to relet the Premises, and (iv) any other amounts necessary to compensate Landlord for any other injury or detriment caused by the default, *minus* the sum of (a) the net fair market rental value of the Premises for the period referred to in Subsection D.(i) above, discounted to present value at the Discount Rate, and (b) any sums actually paid by Tenant to Landlord pursuant to Subsection C. above; provided, however, that if said damages shall be limited by law to a lesser amount, Landlord shall be entitled to recover the maximum amount permitted by law. The "net fair market rental value" referred to in Subsection D.(a) above shall be the fair market rental value of the Premises of the time of Landlord's Demand, reduced by any rental abatements, tenant improvement allowances and other concessions and inducements generally provided by landlords seeking to lease comparable commercial property in the area of the Premises at the time of Landlord's Demand. If reletting is accomplished within a reasonable time after Lease termination, the "net fair market rental value" referred in Subsection D.(a) above shall be deemed *prima facie* to be the net rental income (after deducting any rental abatements, tenant improvement allowances and other concessions and inducements) realized upon such reletting.

E. *Waiver*: Tenant, on its own behalf and on behalf of all persons and entities claiming through Tenant, including but not limited to creditors of Tenant, hereby waives any and all rights and privileges which Tenant and such other persons and entities might otherwise have under any present or future law: (i) to redeem the Premises, (ii) to reenter or repossess the Premises, or (iii) to restore the operation of this Lease, with respect to any dispossession of Tenant by judgment or warrant of any court, any reentry by Landlord or any expiration or termination of this Lease, whether by operation of law or pursuant to the provisions of this Lease. Tenant hereby expressly waives receipt of a Notice to Quit.

F. *Lien on Personal Property*: [Intentionally omitted.)

G. *Right of Distress*: Landlord shall, to the extent permitted by law, have a right of distress for Rent.

H. *Right of Landlord to Cure*: If Tenant defaults in the making of any payment or in the doing of any act required to be made or done by Tenant under this Lease, then Landlord may, at its option, make such payment, or do such act, and the expenses thereof, with interest thereon at the Default Rate, from the date paid by Landlord, shall constitute Additional Rent hereunder due and payable by Tenant with the next payment of Monthly Base Rent.

I. *Attorneys' Fees*: In the event of any Default hereunder, Tenant shall pay to Landlord all attorneys' fees incurred by Landlord in connection with such Default or the enforcement of Landlord's right or remedies arising in connection therewith, whether or not this Lease is terminated and whether or not Landlord institutes any lawsuit against Tenant as a result of such Default. In addition to the foregoing, whether or not this Lease is terminated, Tenant shall pay to Landlord all other costs incurred by Landlord with respect to any lawsuit instituted or action taken by Landlord to enforce the provisions of this Lease.

J. *Survival*: Tenant's liability pursuant to this Section 19 shall survive the termination of this Lease, the institution of summary proceedings and/or the issuance of a warrant thereunder.

20. NO WAIVER.

No failure or delay by Landlord in enforcing its right to strict performance by Tenant of every provision of this Lease or in exercising any right or remedy hereunder, and no acceptance by Landlord of full or partial rent during the continuance of any Default, shall constitute a waiver of the provision or the Default, and no provision shall be waived or modified except by a written instrument executed by Landlord. No payment by Tenant, or receipt by Landlord, of a lesser amount than the full Rent shall be deemed to be other than a payment on account, notwithstanding any endorsement or statement on any check or letter accompanying any payment of any Rent. No waiver of any Default or settlement of any proceeding instituted on account of any claimed Default shall affect or alter this Lease or constitute a waiver of any of Landlord's rights hereunder.

21. HOLDING OVER.

If Tenant shall be in possession of the Premises after termination of this Lease (whether by normal expiration of the Term or otherwise), at Landlord's option: (i) Landlord may deem Tenant to be occupying the Premises as a tenant from month-to-month, at the sum of two hundred percent (200%) of the Monthly Base Rent in effect for the last full month of the Term, plus the monthly installment of Additional Rent which is then payable pursuant to Section 5.C. of this Lease, and subject to all of the other provisions of this Lease, as applicable to a month-to-month tenancy, or (ii) Landlord may exercise any or all remedies for Default and at law and in equity, including but not limited to an action against Tenant for wrongfully holding over.

22. SUBORDINATION.

A. *Lease Subordinate*: This Lease shall be subject and subordinate to the lien of any and all Mortgages and to any Ground Leases, and any and all renewals, extensions, modifications, recastings and refinancings thereof. This clause shall be self-operative, without execution of any further instrument, but if requested by Landlord or any Mortgagee, Tenant shall promptly execute a certificate or other document evidencing and providing for such subordination. Landlord shall have the right to execute said document on behalf of Tenant if Tenant fails to do so within ten (10) days after receipt of the request. Tenant agrees that, if any Mortgage is foreclosed or Ground Lease terminated, upon request by the purchaser at the foreclosure sale or Ground Lessor, as the case may be, Tenant shall attorn to and recognize the

purchaser or Ground Lessor as the landlord under this Lease and shall make all payments required hereunder to such new landlord without any deduction or set-off of any kind whatsoever. Tenant waives the provision of any law or regulation, now or hereinafter in effect, which may give or purport to give Tenant any right to terminate or otherwise affect this Lease or the obligations of Tenant hereunder in the event that any such foreclosure, termination or other proceeding is filed, prosecuted or completed. Notwithstanding anything herein to the contrary, any Mortgagee may at any time subordinate the lien of its Mortgage to the operation and effect of this Lease without Tenant's consent, by giving Tenant written notice of such subordination, in which event this Lease shall be deemed to be senior to such Mortgage, and thereafter such Mortgagee shall have the same rights as it would have had if this Lease had been executed, delivered and recorded before said Mortgage. If Tenant requests in writing that Landlord from any current or future Mortgagee or Ground Lessor a non-disturbance agreement for the benefit of Tenant, then Landlord shall use reasonable efforts to obtain such non-disturbance agreement in such Mortgagee's or Ground Lessor's, as the case may be, usual form; provided, however, that (i) Tenant shall pay all costs incurred by Landlord which are imposed by such Mortgagee or Ground Lessor, as the case may be, with respect to such non-disturbance agreement and (ii) in the event that Landlord does not obtain such non-disturbance agreement, this Lease shall be and remain subject and subordinate to the lien of said Mortgage or Ground Lease, as the case may be, and to any and all renewals, extensions, modifications, castings and refinancings thereof.

B. *Modifications to Lease*: In the event any of Landlord's insurance carriers or any Mortgagee requests modifications to this Lease, Tenant shall execute a written amendment incorporating such requested modifications within thirty (30) days after the same has been submitted to Tenant by Landlord, provided that such modifications do not materially adversely affect Tenant's use of the Premises as herein permitted or increase the rentals and other sums payable by Tenant hereunder or otherwise materially adversely increase any of Tenant's obligations or reduce any of Tenant's rights under this Lease. In the event Tenant refuses or fails to execute such amendment within thirty (30) days, Landlord shall have the right, at its sole option, in addition to Landlord's other remedies for Default, to terminate and cancel this Lease by written notice to Tenant specifying the date on which this Lease will terminate. From and after said termination date, both Landlord and Tenant shall be relieved of any and all further obligations hereunder, except liabilities arising prior to the date of termination.

23. ASSIGNMENT AND SUBLETTING.

A. *No Transfer Without Consent*: Tenant shall not, without the prior written consent of Landlord in each instance (which consent may be withheld in Landlord's sole and absolute discretion) (i) assign, mortgage or otherwise encumber this Lease or any of its rights hereunder, (ii) sublet the Premises or any part thereof or permit the occupancy or use of the Premises or any part thereof by any persons or entities other than Tenant, or (iii) permit the assignment of this Lease or any of Tenant's rights hereunder by operation of law. Any attempted assignment, mortgaging or encumbering of this Lease or any of Tenant's rights hereunder and any attempted subletting or grant of a right to use or occupy all or a portion of the Premises in violation of the foregoing sentence shall be void. Notwithstanding the foregoing, Landlord agrees that it shall not unreasonably withhold, condition or delay its consent to a proposed subletting, provided that all of the following conditions are satisfied: (1) there shall be no default at the time of the proposed subletting, (2) the proposed subtenant shall be creditworthy, (3) the proposed subtenant

shall not be a governmental entity or a person or entity enjoying sovereign or diplomatic immunity, (4) the use of the Premises by the proposed subtenant shall not attract a volume, frequency or type of visitor or employee to the Building which is not consistent with the standards of a high-quality office building, (5) the proposed subtenant shall specifically covenant and agree to perform the obligations of Tenant hereunder and to occupy the Premises subject to the provisions of this Lease, and (6) Tenant remains liable for the faithful performance of this Lease.

B. *Take-Back Rights*: In addition, Tenant may not assign this Lease, nor sublet (or permit occupancy or use of) the Premises, or any part thereof, without giving Landlord thirty (30) days prior written notice thereof. For thirty (30) days following receipt of said notice, Landlord shall have the right, exercisable by sending notice to Tenant, to sublet from Tenant for the balance of the Term of this Lease (i) all of the Premises in the event Tenant notified Landlord of its desire to assign this Lease, or (ii) so much of the Premises as Tenant intends to sublet in the event Tenant notified Landlord of its desire to sublet the Premises or permit another to make use thereof, at the same rental Tenant is obligated to pay to Landlord hereunder. In the event Landlord does not exercise the aforesaid right within said thirty (30) days, Tenant may attempt to assign, sublet or permit use of this Lease or such space; provided that Tenant shall obtain the prior written consent of Landlord as set forth in Subsection A. above. In the event that Tenant defaults thereunder, Tenant, hereby assigns to Landlord the Rent due from any assignee or subtenant and hereby authorizes each such party to pay said Rent to Landlord.

C. *Transfer of Stock*: If Tenant and/or any Guarantor is a corporation, then the sale, issuance or transfer of any voting capital stock of Tenant or any Guarantor, by the person, persons or entities owning a controlling interest therein as of the date of this Lease, which results in a change in the voting control of Tenant or the Guarantor, shall be deemed an assignment within the meaning of this Section 23. If Tenant and/or any Guarantor is a partnership, the sale or transfer of the partnership share, or any portion thereof, of any general partner shall be deemed an assignment of this Lease.

D. *Expenses and Profits; Effect of Consent*:

(1) In the event Landlord permits Tenant to assign or sublet all or a portion of the Premises to a third party, fifty percent (50%) of any such sums that are paid by such third party for the right to occupy the Premises in excess of the sum of (i) the rent then in effect plus (ii) reasonable costs actually incurred by Tenant in connection with such sublease or assignment for brokerage commissions, advertising fees, attorneys' fees and tenant improvements, shall be paid by Tenant to Landlord on a monthly basis as Additional Rent.

(2) Tenant shall be responsible for all costs and expenses, including attorneys' fees, incurred by Landlord in connection with any proposed or purported assignment or sublease and an administrative fee of One Thousand Five Hundred Dollars ($1,500.00).

(3) The consent by Landlord to any assignment or subletting shall neither be construed as a waiver or release of Tenant from any covenant or obligation of Tenant under this Lease, nor as relieving Tenant from giving Landlord the aforesaid thirty (30) days notice of, or from obtaining the consent of Landlord to any further assignment or subletting. The collection

or acceptance of Rent from any such assignee or subtenant shall not constitute a waiver or release of Tenant from any covenant or obligation of Tenant under this Lease, except as expressly agreed by Landlord in writing.

24. TRANSFER BY LANDLORD.

Landlord (and any successor or affiliate of Landlord) may freely sell, assign or transfer all or any portion of its interest in this Lease or the Premises, the Building or the Land and, in the event of any such sale, assignment or transfer, shall be relieved of any and all obligations under this Lease from and after the date of the sale, assignment or transfer. From and after said date, Tenant shall be bound to such purchaser, assignee or other transferee, as the case may be, as though the latter had been the original Landlord hereunder, provided that the purchaser, assignee or transferee agrees to assume the obligations of Landlord hereunder.

25. INABILITY TO PERFORM.

This Lease and Tenant's obligation hereunder shall in no way be affected, impaired or excused, nor shall Tenant have any claim against Landlord for damages, because Landlord, due to Unavoidable Delays, is unable to fulfill any of its obligations under this Lease, including, but not limited to, any obligations to provide any services, repairs, replacements, alterations or decorations or to supply any improvements, equipment or fixtures.

26. ESTOPPEL CERTIFICATES.

Tenant shall, without charge, within ten (10) days after receipt of any request therefor, execute and deliver to Landlord a certificate stating: (i) whether this Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease is in full force and effect and setting forth all such modifications); (ii) whether there then exist any defenses against the enforcement of any right of Landlord hereunder (and, if so, specifying the same in detail); (iii) the dates to which rent and any other charges hereunder have been paid by Tenant; (iv) that Tenant has no knowledge of any then uncured defaults under this Lease (or, if Tenant has knowledge of any such defaults, specifying the same in detail); (v) that Tenant has no knowledge or any event that will or may result in the termination of this Lease (or if Tenant has such knowledge, specifying the same in detail); (vi) the address to which notices to Tenant are to be sent; and (vii) such other information as may be reasonably requested. It is understood that any such certificate may be relied upon by Landlord, any Mortgagee, prospective Mortgagee, Ground Lessor, prospective Ground Lessor, or purchaser or prospective purchaser of the Land or the Building.

27. COVENANT OF QUIET ENJOYMENT.

Landlord covenants that it has the right to make this Lease and that, if Tenant shall pay all Rent and perform all of Tenant's other obligations under this Lease, Tenant shall have the right, during the Term and subject to the provisions of this Lease, to quietly occupy and enjoy the Premises without hindrance by Landlord or its successors and assigns.

28. WAIVER OF JURY TRIAL.

Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other with respect to any matter arising out of or connected with this Lease.

29. BROKERS.

Landlord and Tenant each represents and warrants to the other that, except as hereinafter set forth, neither of them has employed any broker in procuring or carrying on any negotiations relating to this Lease. Landlord and Tenant shall indemnify and hold each other harmless from any loss, claim or damage relating to the breach of the foregoing representation and warranty. Landlord recognizes only Trammell Crow Real Estate Services, Inc., as Tenant's representative, as broker(s) with respect to this Lease and agrees to be responsible for the payment of any leasing commissions owed to said broker(s).

30. CERTAIN RIGHTS RESERVED BY LANDLORD.

Landlord shall have the following rights, exercisable without notice, without liability for damage or injury to property, person or business and without effecting an eviction, constructive or actual, or disturbance of Tenant's use or possession of the Premises or giving rise to any claim for set-off, abatement of Rent or otherwise:

A. To change the Building's name or street address.

B. To affix, maintain and remove any and all signs on the exterior and interior of the Building.

C. To designate and approve, prior to installation, all window shades, blinds, drapes, awnings, window ventilators, lighting and other similar equipment to be installed by Tenant that may be visible from the exterior of the Premises of the Building.

D. To decorate and make repairs, alterations, additions and improvements, whether structural or otherwise, in, to and about the Building and any part thereof, and for such purposes to enter the Premises, and during the continuance of any such work, to close temporarily doors, entry ways, Common Areas in the Building and to interrupt or temporarily suspend Building services and facilities, all without affecting Tenant's obligations hereunder as long as the Premises remain tenantable.

E. To grant to anyone the exclusive right to conduct any business or render any service in the Building, provided Tenant is not thereby excluded from uses expressly permitted herein.

F. To alter, relocate, reconfigure and reduce the Common Areas of the Building, as long as the Premises remain reasonably accessible.

G. To alter, relocate, reconfigure, reduce and withdraw the Common Areas located outside the Building, including parking and access roads, as long as the Premises remain reasonably accessible.

H. To erect, use and maintain pipes and conduits in and through the Premises.

31. NOTICES.

No notice, request approval, waiver or other communication which may be or is required or permitted to be given under this Lease shall be effective unless the same is in writing and hand delivered, sent by registered or certified mail, return receipt requested, first-class postage prepaid, or sent with charges prepaid by a nationally recognized air courier service, addressed as follows:

If to Landlord: c/o TrizecHahn Mid-Atlantic Management Services LLC
1250 Connecticut Avenue, N.W.
Suite 500
Washington, D.C. 20036
Attention: Portfolio Manager — 4733 Bethesda Avenue

If to Tenant:

Prior to the Lease Commencement Date:

4801 Hampden Lane
Suite 803
Bethesda, Maryland 20814
Attn: Sachiko Kuno, Ph.D.
Chairman and Chief Executive Officer

After the Lease Commencement Date:

At the Premises

Attn: Sachiko Kuno, Ph.D.
Chairman and Chief Executive Officer

or at any other address of which either party shall notify the other in accordance with this Section. Such communications, if sent by registered or certified mail, shall be deemed to have been given two (2) days after the date of mailing, or if sent by a nationally recognized air courier service, shall be deemed to have been given one (1) business day after the date of deposit of the notice with such service. If any Mortgagee shall notify Tenant that it is the holder of a Mortgage affecting the Premises, no notice, request or demand thereafter sent by Tenant to Landlord shall be effective until a copy of same shall be sent to such Mortgagee in the manner prescribed in this Section at such address as such Mortgagee shall designate.

32. MISCELLANEOUS PROVISIONS

A. *Benefit and Burden*. The provisions of this Lease shall be binding upon, and shall inure to the benefit of the parties hereto and each of their respective successors and permitted assigns.

B. *Governing Law*. This Lease shall be construed and enforced in accordance with the laws of the jurisdiction in which the Building is located.

C. *No Partnership*. Nothing contained in this Lease shall be deemed to create a partnership or joint venture between Landlord and Tenant, or to create any other relationship between the parties other than that of Landlord and Tenant.

D. *Delegation by Landlord*. Wherever Landlord has the authority to take any action under this Lease, Landlord shall have the right to delegate such authority to others, and Landlord shall be responsible for the authorized actions of such agents, employees and others, to the same extent as if Landlord had taken such action itself.

E. *Tenant Responsibility for Agents*. In any case where Tenant is responsible for performing or refraining from an act or for preventing an action or result from occurring, Tenant shall also be responsible for any actions taken or omitted by Tenant's agents, employees, business invitees, licensees, contractors, subtenants, family members, guests and any other individuals or entities present in the Building or on the Land at Tenant's invitation.

F. *Invalidity of Particular Provisions*. If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be held invalid or unenforceable, the remaining provisions and the application of such invalid or unenforceable provisions to persons, entities and circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby. Each provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

G. *Counterparts*. This Lease may be executed in several counterparts, all of which shall constitute one and the same document.

H. *Entire Agreement*. This Lease, and any exhibits and addenda attached hereto, embody the entire agreement of the parties hereto, and no representations, inducements or agreements, oral or otherwise, between the parties not contained in this Lease or in the exhibits or addenda shall be of any force or effect. No rights, privileges, easements or licenses are granted to Tenant hereby, except as expressly set forth herein.

I. *Amendments*. This Lease may not be modified in whole or in part in any manner other than by an agreement in writing.

J. *Mortgagee's Performance*. Tenant shall accept performance of any of Landlord's obligations hereunder by any Mortgagee.

K. *Limitation onInterest*. In any case where this Lease provides for a rate of interest that is higher than the maximum rate permitted by law, the rate specified herein shall be deemed to equal, and the party designated as recipient of such interest shall be entitled to receive, the maximum rate of interest permitted by law.

L. *Remedies Cumulative*. All rights and remedies of Landlord shall be cumulative and shall not be exclusive of any other rights or remedies of Landlord hereunder or now or hereafter existing at law or in equity.

M. *Annual Tax Returns*. Not later than 30 days after the filing of Tenant's annual tax return, Tenant shall submit to Landlord a copy of such annual tax returns.

33. LENDER APPROVAL

If the Mortgagee fails to give its consent to this Lease, Landlord shall have the right, at its sole option, to terminate and cancel this Lease. Such option shall be exercisable by Landlord by written notice to Tenant of such termination, whereupon this Lease shall be deemed cancelled and terminated, and both Landlord and Tenant shall be relieved of any and all liabilities and obligations hereunder.

34. PARKING

Parking will be made available to Tenant pursuant to the provisions of Exhibit E attached hereto.

35. SECURITY DEPOSIT

A. *Amount and Uses*. Landlord acknowledges receipt from Tenant of Nineteen Thousand Seven Hundred Eighty-Two and 45/100 Dollars ($19,782.45) (the "Security Deposit"), to be held by Landlord as security for the payment of all Rent payable by Tenant and for the faithful performance by Tenant of all other obligations of Tenant under this Lease. Said Security Deposit shall be repaid to Tenant after the termination of this Lease (or any renewal thereof) provided Tenant shall have made all such payments and performed all such obligations hereunder. Landlord shall not be required to maintain the Security Deposit in a separate account. The Security Deposit shall accrue interest at the same rate as interest accrues on the account in which Landlord maintains the Security Deposit and all such interest on the Security Deposit shall be added to the Security Deposit, become a part thereof and be subject to all of the terms and conditions set forth in this Section 35.A. The Security Deposit shall not be mortgaged, assigned, transferred or encumbered by Tenant without the prior written consent of Landlord, and any such act shall be void. Landlord may, at Landlord's option, appropriate and apply the entire Security Deposit, or so much thereof as Landlord believes may be necessary, to compensate Landlord for the payment of any past-due Rent and for loss or damage sustained by Landlord due to any Default. In the event Landlord appropriates or applies the Security Deposit in such a manner, Tenant, within five (5) days after notice thereof, shall pay to Landlord an amount sufficient to restore the Security Deposit to the original sum deposited. Tenant's failure to restore any such deficiency shall constitute a Default hereunder. In the event of bankruptcy or other debtor-creditor proceedings by or against Tenant, the Security Deposit shall be applied first to the payment of Rent due Landlord for all periods prior to the filing of such proceedings. In lieu of the cash Security Deposit hereinabove provided for, Tenant shall have the option to deposit with Landlord a letter of credit (the "Letter of Credit") in an amount equal to the Security Deposit, which Letter of Credit shall thereupon constitute the Security Deposit. The Letter of Credit shall be maintained throughout the remainder of the Term. Any Letter of Credit delivered to Landlord by Tenant shall be an unconditional, irrevocable letter of credit in a form and from a financial institution located in the Washington, D.C. metropolitan area and acceptable to Landlord in its sole discretion. Said Letter of Credit shall provide that it shall expire on the sixtieth (60th) day following the date of expiration of the Term of this Lease. At Tenant's option, said Letter of Credit shall have a term equal to the period expiring on the first anniversary of the date of issuance thereof, in which event Tenant covenants that a renewal of said Letter of Credit shall be delivered to Landlord by that date which is thirty (30) days prior to the expiration date thereof,

and thereafter a renewal of the Letter of Credit shall be delivered to Landlord by Tenant by that date which is thirty (30) days prior to each succeeding anniversary of the original expiration date of the Letter of Credit. If Tenant fails to so renew and deliver said Letter of Credit to Landlord by the thirtieth (30th) day preceding each said expiration date, such failure shall constitute a Default hereunder (as to which no cure period shall be applicable) and Landlord may draw upon the Letter of Credit then in effect without the necessity of any other monetary or other default hereunder by Tenant, in which event the proceeds thereof shall be held by Landlord. Said Letter of Credit shall provide that Landlord shall be permitted to draw on same following the occurrence of a Default by Tenant under this Lease; provided, however, that in the event that said Letter of Credit would expire during the pendency of any litigation to resolve whether such Default has occurred, Landlord may draw upon said Letter of Credit prior to the expiration thereof. In the event that Landlord draws upon the Letter of Credit after a Default by Tenant as aforesaid, Landlord shall use, apply or retain all or any portion of the proceeds thereof for (i) the payment of any Rent or any other sums as to which Tenant is in default, (ii) the payment of any amount which Landlord may spend or become obligated to spend to repair damage to the Premises or the Building for which repairs Tenant is liable hereunder, or (iii) compensation to Landlord for any losses which Landlord is entitled to recover hereunder by reason of Tenant's Default, including, but not limited to, any damage or deficiency arising in connection with the reletting of the Premises and all associated reasonable legal fees. In the event that the Letter of Credit is drawn upon by Landlord for failure of Tenant to renew said Letter of Credit as aforesaid, the proceeds thereof shall be held by Landlord in accordance with the provisions respecting the Security Deposit under this Section 35, and, in such event, within sixty (60) days after the expiration of the Term, and provided Tenant has vacated the Premises and is not in default hereunder, Landlord shall return such proceeds to Tenant, less such portion thereof as Landlord may be entitled hereunder to apply to satisfy any Default by Tenant hereunder. In the event that Tenant is in default upon the expiration of the Term and Landlord does not use all of the Security Deposit to cure such default, then, after such default has been cured, Landlord shall return any unused balance of the Security Deposit to Tenant. The use, application or retention of the proceeds of the Letter of Credit, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Lease or by law, and shall not limit any recovery to which Landlord may otherwise be entitled. In the event of the sale or transfer of Landlord's interest in the Building or the Land, Landlord shall transfer the proceeds of the Letter of Credit to the purchaser or transferee, in which event Tenant shall look only to the purchaser or transferee for the return of the proceeds of the Letter of Credit, and Landlord shall be released from all liability to Tenant for the return of such proceeds.

B. *Transferability*. In the event of a sale or transfer of Landlord's interest in the Building or of the interest of any successor or assign of Landlord, Landlord (or such successor or assign) shall have the right to transfer the Security Deposit to any vendee or transferee and shall thereupon be released automatically from any liability therefor. Tenant shall look solely to the transferee for the return of the Security Deposit. No Mortgagee or purchaser of any or all of the Building at any foreclosure proceeding shall (regardless of whether the Lease is at the time subordinated to the lien of said Mortgage) be liable to Tenant or any other person for any of such Security Deposit, or any other payment made by Tenant hereunder, unless Landlord has actually delivered said deposit or other such sum to such Mortgagee or purchaser. In the event of any rightful and permitted assignment of Tenant's interest in this Lease, the Security Deposit shall be

deemed to be held by Landlord as a deposit made by the assignee, and Landlord shall have no liability to the assignor with respect to the return of the Security Deposit.

36. HAZARDOUS MATERIALS

A. *Definition*. As used in this Lease, the term "Hazardous Material" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", infectious wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any federal, state or local laws, regulations or ordinances including, without limitation, oil, petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons.

B. *General Prohibition*. Tenant shall not cause or permit any Hazardous Material to be generated, produced, brought upon, used, stored, treated, discharged, released, spilled or disposed of, on, in, under or about the Premises, the Building, or the Land (hereinafter referred to collectively as the "Property") by Tenant, its affiliates, agents, employees, contractors, subtenants, assignees or invitees; provided, however, that Tenant shall be permitted to store and use at the Premises such reasonable quantities of customary office supplies as are used, stored and disposed of in compliance with all applicable laws and regulations. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all actions (including, without limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages (including without limitation, attorneys', consultants', and experts' fees, court costs and amount paid in settlement of any claims or actions), fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities or losses arising from a breach of this prohibition by Tenant, its affiliates, agents, employees, contractors, subtenants, assignees or invitees.

C. *Notice.* In the event that Hazardous Materials are discovered upon, in, or under the Property and any governmental agency or entity having jurisdiction over the Property requires the removal of such Hazardous Materials, Tenant shall be responsible for removing those Hazardous Materials arising out of or related to the use or occupancy of the Property by Tenant or its affiliates, agents, employees, contractors, subtenants, assignees or invitees but not those of its predecessors. Notwithstanding the foregoing, Tenant shall not take any remedial action in or about the Property or any portion thereof without first notifying Landlord of Tenant's intention to do so and affording Landlord the opportunity to protect Landlord's interest with respect thereto. Tenant immediately shall notify Landlord in writing of: (i) any spill, release, discharge, or disposal of any Hazardous Material in, on, or under the Property or any portion thereof; (ii) any enforcement, cleanup, removal or other governmental or regulatory action instituted, contemplated, or threatened (if Tenant has notice thereof) pursuant to any laws respecting Hazardous Materials, (iii) any claim made or threatened by any person against Tenant or the Property or any portion thereof relating to damage, contribution, cost recovery,

compensation, loss or injury resulting from or claimed to result from any Hazardous Materials, and (iv) any reports made to any governmental agency or entity arising out of or in connection with any Hazardous Materials in, on under or about or removed from the Property or any portion thereof, including any complaints, notices, warnings, reports or asserted violations in connection therewith. Tenant also shall supply to Landlord as promptly as possible, and in any event within five (5) business days after Tenant first receives or sends the same, copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises, the Property or Tenant's use or occupancy thereof.

D. *Survival.* The respective rights and obligations of Landlord and Tenant under this Section 38 shall survive the expiration or earlier termination of this Lease.

37. RELOCATION OF TENANT. [Intentionally omitted.]

38. NO RECORDATION.

Tenant shall not record or attempt to record this Lease or any memorandum hereof in any public records without the prior written approval of Landlord, which may be denied in Landlord's sole and absolute discretion. In the event that Landlord grants its approval to record this Lease or a memorandum hereof, Tenant shall pay all recordation fees, taxes and charges in connection with such recordation.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease under seal as of the day and year first above written.

WITNESS

By: /s/ [illegible signature]

LANDLORD:

TRIZECHAHN PLAZA WEST LIMITED PARTNERSHIP,
a Maryland limited partnership

By: TH PLAZA WEST LLC, a Maryland limited liability company, its General Partner

By: /s/ B P Coulter
Name: Brian P. Coulter
Its: Vice President

ATTEST
[Corporate Seal]

By: /s/ Ryuji Ueno

TENANT:
R-TECH UENO (USA), INC., a DELAWARE corporation

By: /s/ Sachiko Kuno
Name: Sachiko Kuno
Its: CEO

FIRST AMENDMENT TO OFFICE LEASE

THIS FIRST AMENDMENT TO OFFICE LEASE ("First Amendment") is made this 4th day of October, 1999, by and between TRIZECHAHN PLAZA WEST LIMITED PARTNERSHIP, a Maryland limited partnership ("Landlord"), and R-TECH UENO (USA), INC., a Delaware corporation ("Tenant").

WITNESSETH:

WHEREAS, by that certain Office Lease dated September 16, 1998 (the "Lease"), Landlord leased to Tenant, and Tenant leased from Landlord, approximately 3,073 square feet of rentable area (the "Original Premises"), known as Suite 348, located on the third (3rd) floor of the building located at 4733 Bethesda Avenue, Bethesda, Maryland (the "Building"), upon the terms and conditions set forth in the Lease;

WHEREAS, Tenant desires to lease from Landlord, and Landlord desires to lease to Tenant, an additional 1,240 rentable square feet of space located on the third (3rd) floor of the Building and known as Suite 345 (hereinafter referred to as the "Expansion Space"), upon the terms and conditions hereinafter set forth;

WHEREAS, the Original Premises and the Expansion Space are hereinafter collectively referred to as the "Premises"; and

WHEREAS, Landlord and Tenant desire to amend the Lease to reflect their understanding and agreement with regard to the lease of such additional space, and to otherwise amend the Lease, as more particularly set forth herein.

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto mutually agree as follows:

1. Any capitalized terms used in this First Amendment and not otherwise defined herein shall have the meanings ascribed to them in the Lease.

2. The Term of the Lease is hereby extended for the period (such period being hereinafter referred to as the "Extension Period") commencing on January 1, 2004 (the "Extension Period Commencement Date") and which Extension Period and the term of the Lease shall expire at midnight on the day preceding the fifth (5th) anniversary of the Expansion Space Commencement Date, as set forth in Section 39 of the Lease, unless earlier terminated pursuant to the provisions of the Lease as modified by the provisions of this First Amendment, or pursuant to law.

3. Commencing on the Extension Period Commencement Date and continuing thereafter during the Extension Period, Tenant covenants and agrees to pay to Landlord Base Rent for the Original Premises at the rate of Ninety-One Thousand Seven Hundred Twenty-Nine and 05/100 Dollars ($91,729.05) per annum, payable in monthly installments of Seven Thousand Six Hundred Forty-Four and 09/100 Dollars ($7,644.09) for the remainder of the Term of the Lease as extended herein.

4. The Lease is hereby further amended by adding thereto a new Section 39, to read as follows:

"39. EXPANSION SPACE.

A. *Term*. Landlord hereby leases unto Tenant, and Tenant hereby leases from Landlord, approximately 1,240 square feet of rentable floor area (the 'Expansion Space') located on the third (3rd) floor of the Building, which Expansion Space is hereby agreed to be that certain space which is shown on Exhibit F attached hereto and made a part hereof, for a term (the 'Expansion Space Term') commencing on the date (the 'Expansion Space Commencement Date') on which Landlord notifies Tenant that the Expansion Space Tenant's Work, as defined in Section 39.B. hereof, is 'substantially complete', as defined in Section 39.B. hereof, and continuing through and including the day preceding

the fifth (5th) anniversary of the Expansion Space Commencement Date, unless earlier terminated pursuant to the provisions of this Lease.

B. *Expansion Space Tenant's Work*. Landlord shall make available for the performance of Expansion Space Tenant's work, and for the other purposes hereinafter specified, an allowance (the "Expansion Space Tenant Allowance") in an amount equal to the product of (i) Twenty Dollars ($20.00) multiplied by (ii) the number of rentable square feet comprising the Expansion Space. Landlord shall perform Expansion Space Tenant's Work and shall pay directly to its general contractor and other service providers and vendors the cost of performing all improvements ("Expansion Space Tenant's Work") shown and contemplated by final plans and specifications prepared by Tenant and approved by Landlord (the "Expansion Space Final Plans and Specifications"), including, but not limited to, the cost of all permits and governmental inspections, all architectural and engineering fees, demolition of existing improvements and a fee to Landlord in an amount equal to five percent (5%) of the cost of the Expansion Space Tenant's Work and any Expansion Space Additional Tenant Work (as hereinafter defined), all of which costs shall be payable out of the Expansion Space Tenant Allowance to the extent that the Expansion Space Tenant Allowance is sufficient for that purpose, and any excess amount of which costs shall be paid by Tenant within thirty (30) days following Tenant's receipt of an invoice therefor from Landlord.

Landlord shall solicit bids for the Expansion Space Tenant's Work from at least three (3) contractors, one (1) of which may be designated by Tenant, if so designated by Tenant within two (2) business days after Landlord's request therefor (which request may be made verbally).

Notwithstanding the foregoing, Landlord shall make those improvements to the base building portion of the Premises which are shown on Exhibit G attached hereto and made a part hereof.

If Tenant shall desire any work to be performed by Landlord in the Premises, other than Expansion Space Tenant's Work ('Expansion Space Additional Tenant Work'), all Expansion Space Additional Tenant Work shall be performed in accordance with Section 8 hereof, and at Tenant's sole expense. Landlord is under no obligation to make any other improvements to the Expansion Space or to any other part of the Premises.

Expansion Space Tenant's Work shall be considered 'substantially complete' for purposes of the Expansion Space Commencement Date if Landlord has performed or completed substantially all of Expansion Space Tenant's Work, except (a) punch list items and details of construction, decoration or adjustment which do not substantially interfere with Tenant's ability to occupy the Expansion Space, or to complete improvements to the Expansion Space to be made by Tenant and/or (b) custom or specialty items requested by Tenant for Expansion Space Tenant's Work or Expansion Space Additional Tenant Work and other

items which cannot be completed until said custom or specialty items are delivered, or Expansion Space Tenant's Work or Expansion Space Additional Tenant Work requiring use of such items is completed.

C. *Expansion Space Base Rent*. In addition to the Base Rent for the Premises as set forth in Section 4.A. hereof, commencing on the Expansion Space Commencement Date and continuing thereafter throughout the Expansion Space Term, Tenant covenants and agrees to pay to Landlord Base Rent for Expansion Space in the following amounts (the 'Expansion Space Base Rent'):

Expansion Space Lease Year	Expansion Space Base Rent Per Square Foot Per Annum	Expansion Space Base Rent	Expansion Space Monthly Base Rent
1	$ 25.75	$ 31,930.00	$ 2,660.83
2	$ 26.52	$ 32,884.80	$ 2,740.40
3	$ 27.32	$ 33,876.80	$ 2,823.07
4	$ 28.14	$ 34,893.60	$ 2,907.80
5	$ 28.98	$ 35,935.20	$ 2,999.60

An 'Expansion Space Lease Year' shall mean that period of twelve (12) consecutive calendar months that commences on the Expansion Space Commencement Date and each consecutive twelve (12) month period thereafter. The earliest such twelve (12) month period shall be referred to as 'Expansion Space Lease Year 1,' and each of the following Expansion Space Lease Years shall be similarly numbered for identification purposes. The Expansion Space Base Rent shall be payable at the times and in the manner set forth in this Lease for the payment of Base Rent with respect to the Premises.

D. *Additional Rent*. As used in this Section 39, 'Increased Operating Expenses and Real Estate Tax Expenses' shall equal the amount by which Operating Expenses and Real Estate Tax Expenses incurred during each Fiscal Year exceed the Operating Expenses and Real Estate Tax Expenses incurred during calendar year 2000. In addition to Tenant's share of Increased Operating Expenses and Real Estate Tax Expenses payable with respect to the Premises pursuant to Section 5.A. hereof, commencing on the first anniversary of the Expansion Space Commencement Date, for each fiscal year of the Expansion Space Term, Tenant shall pay to Landlord, as additional rent, 'Tenant's Share of Increased Operating Expenses and Real Estate Tax Expenses for the Expansion Space' for the Fiscal Year. 'Tenant's Share of Increased Operating Expenses and Real Estate Tax Expenses for the Expansion Space' shall be that percentage of Increased Operating Expenses and Real Estate Tax Expenses which is the equivalent of the number of square feet of rentable area in the Expansion Space (1,240 on the Expansion Space Commencement Date) divided by the number of square feet of rentable area in the Building (97,815 on the Expansion Space Commencement Date); provided, however, that for the fiscal year during which the Expansion Space Term ends, Tenant's Share of Increased Real Estate Tax Expenses for the Expansion Space shall be prorated based upon the greater of

(a) the number of days during such fiscal year that this Lease is in effect, or (b) the number of days that Tenant actually occupies Expansion Space or any portion thereof.

E. Except as otherwise herein expressly provided, the Expansion Space shall be deemed a part of the Premises for all purposes of this Lease, such that both Landlord and Tenant shall have such respective rights and obligations with respect to Expansion Space as apply to the remainder of the Premises."

5. If requested by Landlord at any time during the Expansion Space Term, Tenant promptly will execute a declaration in the form attached hereto as Exhibit B-l.

6. Section 3 (captioned "Work Agreement") of the Lease and Exhibit C (captioned "Office Space Work Agreement") to the Lease shall not be applicable to the Expansion Space.

7. Landlord and Tenant represent and warrant to each other that the person signing this First Amendment on its behalf has the requisite authority and power to execute this First Amendment and to thereby bind the party on whose behalf it is being signed.

8. Landlord and Tenant represent and warrant to each other that, except as hereinafter set forth, neither of them has employed any broker in procuring or carrying on any negotiations relating to this First Amendment. Landlord and Tenant shall indemnify and hold each other harmless from any loss, claim or damage relating to the breach of the foregoing representation and warranty by the indemnifying party. Landlord recognizes only Trammell Crow Company, as agent of Tenant, as broker with respect to this First Amendment and agrees to be responsible for the payment of any leasing commission owed to said broker.

9. EXHIBIT E to the Lease is hereby modified to increase the number of parking spaces Landlord agrees to make available to Tenant from six (6) to eight (8) spaces.

10. Except as expressly amended and modified herein, all terms, conditions and provisions of the Lease shall remain unmodified and in full force and effect. In the event of any

conflict between the terms and conditions of the Lease and the terms and conditions of this First Amendment, the terms and conditions of this First Amendment shall govern and control.

IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment to Office Lease as of the day and year first hereinabove written.

LANDLORD

WITNESS:

TRIZECHAHN PLAZA WEST LIMITED PARTNERSHIP, a Maryland limited liability partnership

By: TH PLAZA WEST LLC, a Maryland limited liability company, its General Partner

/s/ [illegible signature]

By: /s/ Holly Davis
Name: HOLLY DAVIS
Its: VICE PRESIDENT

TENANT

ATTEST:

[Corporate Seal]

R-TECH UENO (USA), INC., a Delaware corporation

By: /s/ Ryuji Ueno
Name: RYUJI UENO, MD, PH.D.
Its: PRESIDENT AND COO

By: /s/ Sachiko Kuno
Name: SACHIKO KUNO, PH.D.
Its: CHAIR AND CEO

SECOND AMENDMENT TO OFFICE LEASE

THIS SECOND AMENDMENT TO OFFICE LEASE ("Second Amendment") is made this 15th day of October, 1999, by and between TRIZECHAHN PLAZA WEST LIMITED PARTNERSHIP, a Maryland limited partnership ("Landlord"), and R-TECH UENO (USA), INC., a Delaware corporation ("Tenant").

WITNESSETH:

WHEREAS, by that certain Office Lease dated September 16, 1998 (the "Original Lease"), Landlord leased to Tenant, and Tenant leased from Landlord, approximately 3,073 square feet of rentable area (the "Original Premises"), known as Suite 348, located on the third (3rd) floor of the building located at 4733 Bethesda Avenue, Bethesda, Maryland (the "Building"), upon the terms and conditions set forth in the Lease;

WHEREAS, by that certain First Amendment to Office Lease dated October 4, 1999 (the "First Amendment"), Landlord leased to Tenant, and Tenant leased from Landlord, an additional 1,240 rentable square feet of space located on the third (3rd) floor of the Building and known as Suite 345 (the "Expansion Space"), upon the terms and conditions set forth therein;

WHEREAS, the Original Lease and the First Amendment are hereinafter collectively referred to as the "Lease";

WHEREAS, Tenant desires to lease from Landlord, and Landlord desires to lease to Tenant, an additional 1,394 rentable square feet of space located on the third (3rd) floor of the Building and known as Suite 350 (the "Second Expansion Space"), upon the terms and conditions hereinafter set forth;

WHEREAS, the Original Premises and the Expansion Space are hereinafter collectively referred to as the "Premises"; and

WHEREAS, Landlord and Tenant desire to amend the Lease to reflect their understanding and agreement with regard to the lease of such additional space, and to otherwise amend the Lease, as more particularly set forth herein.

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto mutually agree as follows:

1. Any capitalized terms used in this Second Amendment and not otherwise defined herein shall have the meanings ascribed to them in the Lease.

2. Paragraph 2 of the First Amendment is hereby deleted and the following provision is substituted in lieu thereof:

"The Term of the Lease is hereby extended for the period (such period being hereinafter referred to as the ('Extension Period') commencing on January 1, 2004 (the 'Extension Period Commencement Date') and which Extension Period and the term of the Lease shall expire at midnight on the day preceding the fifth (5th) anniversary of the Second Expansion Space Commencement Date, as set forth in Section 40 of the Lease, unless earlier terminated pursuant to the provisions of the Lease as modified by the provisions of this Second Amendment, or pursuant to law."

3. Paragraph 3 of the First Amendment is hereby deleted and the following provision is substituted in lieu thereof:

"Commencing on the Extension Period Commencement Date and continuing thereafter during the Extension Period, Tenant covenants and agrees to pay to Landlord (i) Base Rent for the Original Premises at the rate of Ninety-One Thousand Seven Hundred Twenty-Nine and 05/100 Dollars ($91,729.05) per annum, payable in monthly installments of Seven Thousand Six Hundred Forty-Four and 09/100 Dollars ($7,644.09) for the remainder of the Term of the Lease as extended herein, and (ii) Expansion Space Base Rent for the Expansion Space at the rate of Thirty-Five Thousand Nine Hundred Thirty-Five and 20/100 Dollars ($35,935.20) per annum, payable in monthly installments of Two Thousand Nine Hundred Ninety-Nine and 60/100 Dollars ($2,999.60) for the remainder of the Term of the Lease as extended herein."

4. The Lease is hereby further amended by adding thereto a new Section 40, to read as follows:

"40. SECOND EXPANSION SPACE

A. *Term*. Landlord hereby leases unto Tenant, and Tenant hereby leases from Landlord, approximately 1,394 square feet of rentable floor area (the 'Second Expansion Space') located on the third (3rd) floor of the Building and known as Suite 350, which Expansion Space is hereby agreed to be that certain space which is shown on Exhibit H attached hereto and made a part hereof, for a term (the 'Second Expansion Space Term') commencing on the date (the 'Second Expansion Space Commencement Date') on which Landlord notifies Tenant that the Second Expansion Space Tenant's Work, as defined in Section 40.B. hereof, is 'substantially complete', as defined in Section 40.B. hereof, and continuing through and including the day preceding the fifth (5th) anniversary of the Second Expansion Space Commencement Date, unless earlier terminated pursuant to the provisions of this Lease.

B. *Second Expansion Space Tenant's Work*. Landlord shall make available for the performance of Second Expansion Space Tenant's Work, and for the other purposes hereinafter specified, an allowance (the "Second Expansion Space Tenant Allowance") in an amount equal to the product of (i) Fourteen Dollars ($14.00) multiplied by (ii) the number of rentable square feet comprising the Second Expansion Space. Landlord shall perform Second Expansion Space Tenant's Work and shall pay directly to its general contractor and other service providers and vendors the cost of performing all improvements ("Second Expansion Space Tenant's Work") shown and contemplated by final plans and specifications prepared by Tenant and approved by Landlord (the "Second Expansion Space Final Plans and Specifications"), including, but not limited to, the cost of all permits and governmental inspections, all architectural and engineering fees, demolition of existing improvements and a fee to Landlord in an amount equal to three percent (3%) of the cost of the Second Expansion Space Tenant's Work and any Second Expansion Space Additional Tenant Work (as hereinafter defined), all of which costs shall be payable out of the Second Expansion Space Tenant Allowance to the extent that the Second Expansion Space Tenant Allowance is sufficient for that purpose, and any excess amount of which costs shall be paid by Tenant within thirty (30) days following Tenant's receipt of an invoice therefor from Landlord.

Landlord shall solicit bids for the second Expansion Space Tenant's Work from at least three (3) contractors, one (1) of which may be designated by Tenant, if so designated by Tenant within two (2) business days after Landlord's request therefor (which request may be made verbally).

If Tenant shall desire any work to be performed by Landlord in the Premises, other than Second Expansion Space Tenant's Work ('Second

Expansion Space Additional Tenant Work'), all Second Expansion Space Additional Tenant Work shall be performed in accordance with Section 8 hereof, and at Tenant's sole expense. Landlord is under no obligation to make any other improvements to the Second Expansion Space or to any other part of the Premises.

Second Expansion Space Tenant's Work shall be considered 'substantially complete' for purposes of the Second Expansion Space Commencement Date if Landlord has performed or completed substantially all of Second Expansion Space Tenant's Work, except (a) punch list items and details of construction, decoration or adjustment which do not substantially interfere with Tenant's ability to occupy the Second Expansion Space, or to complete improvements to the Second Expansion Space to be made by Tenant and/or (b) custom or specialty items requested by Tenant for Second Expansion Space Tenant's Work or Second Expansion Space Additional Tenant Work and other items which cannot be completed until said custom or specialty items are delivered, or Second Expansion Space Tenant's Work or Second Expansion Space Additional Tenant Work requiring use of such items is completed.

C. *Second Expansion Space Base Rent*. In addition to the Base Rent for the Original Premises as set forth in Section 4.A. hereof and the Expansion Space Base Rent for the Expansion Space as set forth in Section 39.C. hereof, commencing on the Second Expansion Space Commencement Date and continuing thereafter throughout the Second Expansion Space Term, Tenant covenants and agrees to pay to Landlord Base Rent for Second Expansion Space in the following amounts (the 'Second Expansion Space Base Rent'):

Second Expansion Space Lease Year	Second Expansion Space Base Rent Per Square Foot Per Annum	Second Expansion Space Base Rent	Second Expansion Space Monthly Base Rent
1	$ 27.00	$ 37,638.00	$ 3,136.50
2	$ 27.81	$ 38,767.14	$ 3,230.60
3	28.64	$ 39,924.16	$ 3,327.01
4	$ 29.50	$ 41,123.00	$ 3,426.92
5	$ 30.39	$ 42,363.66	$ 3,530.31

A 'Second Expansion Space Lease Year' shall mean that period of twelve (12) consecutive calendar months that commences on the Second Expansion Space Commencement Date and each consecutive twelve (12) month period thereafter. The earliest such twelve (12) month period shall be referred to as 'Second Expansion Space Lease Year 1,' and each of the following Second Expansion Space Lease Years shall be similarly numbered for identification purposes. The Second Expansion Space Base Rent shall be payable at the times and in the manner set forth in this Lease for the payment of Base Rent with respect to the Premises.

D. *Additional Rent*. As used in this Section 40, 'Increased Operating Expenses and Real Estate Tax Expenses' shall equal the amount by which Operating Expenses and Real Estate Tax Expenses incurred during each Fiscal Year exceed the Operating Expenses and Real Estate Tax Expenses incurred during calendar year 2000. In addition to Tenant's Share of Increased Operating Expenses and Real Estate Tax Expenses payable with respect to the Premises pursuant to Section 5.A. hereof and Tenant's Share of Increased Operating Expenses and Real Estate Tax Expenses for the Expansion Space pursuant to Section 39.D. hereof, commencing on the first anniversary of the Second Expansion Space Commencement Date, for each fiscal year of the Second Expansion Space Term, Tenant shall pay to Landlord, as additional rent, 'Tenant's Share of Increased Operating Expenses and Real Estate Tax Expenses for the Second Expansion Space' for the Fiscal Year. 'Tenant's Share of Increased Operating Expenses and Real Estate Tax Expenses for the Second Expansion Space' shall be that percentage of Increased Operating Expenses and Real Estate Tax Expenses which is the equivalent of the number of square feet of rentable area in the Second Expansion Space (1,394 on the Second Expansion Space Commencement Date) divided by the number of square feet of rentable area in the Building (97,815 on the Second Expansion Space Commencement Date); provided, however, that for the fiscal year during which the Second Expansion Space Term ends, Tenant's Share of Increased Real Estate Tax Expenses for the Second Expansion Space shall be prorated based upon the greater of (a) the number of days during such fiscal year that this Lease is in effect, or (b) the number of days that Tenant actually occupies the Second Expansion Space or any portion thereof.

E. Except as otherwise herein expressly provided, the Second Expansion Space shall be deemed a part of the Premises for all purposes of this Lease, such that both Landlord and Tenant shall have such respective rights and obligations with respect to the Second Expansion Space as apply to the remainder of the Premises."

5. If requested by Landlord at any time during the Second Expansion Space Term, Tenant promptly will execute a declaration in the form attached hereto as Exhibit B-2.

6. Sections 3 (captioned "Work Agreement") and 39.B (captioned "Expansion Space Tenant's Work") of the Lease and Exhibits C (captioned "Office Space Work Agreement") and G (captioned "Improvements to the Base Building Portion of the Premises") to the Lease shall not be applicable to the Second Expansion Space.

7. Landlord and Tenant represent and warrant to each other that the person signing this Second Amendment on its behalf has the requisite authority and power to execute this Second Amendment and to thereby bind the party on whose behalf it is being signed.

8. Landlord and Tenant represent and warrant to each other that, except as hereinafter set forth, neither of them has employed any broker in procuring or carrying on any negotiations relating to this Second Amendment. Landlord and Tenant shall indemnify and hold each other harmless from any loss, claim or damage relating to the breach of the foregoing representation and warranty by the indemnifying party. Landlord recognizes only Trammell Crow Company, as agent of Tenant, as broker with respect to this Second Amendment and agrees to be responsible for the payment of any leasing commission owed to said broker.

9. Exhibit E to the Lease is hereby amended to increase the number of parking spaces Landlord agrees to make available to Tenant thereunder to eleven (11) such parking spaces.

10. Except as expressly amended and modified herein, all terms, conditions and provisions of the Lease shall remain unmodified and in full force and effect. In the event of any conflict between the terms and conditions of the Lease and the terms and conditions of this Second Amendment, the terms and conditions of this Second Amendment shall govern and control.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Second Amendment to Office Lease as of the day and year first hereinabove written.

LANDLORD

WITNESS:

TRIZECHAHN PLAZA WEST LIMITED PARTNERSHIP, a Maryland limited liability partnership

By: TH PLAZA WEST LLC, a Maryland limited liability company, its General Partner

/s/ [illegible signature]

By: /s/ Holly Davis
Name: Holly Davis
Its: Vice President

TENANT

ATTEST:

[Corporate Seal]

R-TECH UENO (USA), INC., a Delaware corporation

By: /s/ Ryuji Ueno
Name: RYUJI UENO
Its: PRESIDENT AND COO

By: /s/ Sachiko Kuno
Name: SACHIKO KUNO
Its: CHAIR AND CEO

THIRD AMENDMENT
TO LEASE

This THIRD AMENDMENT TO LEASE (this "Third Amendment") is entered into this 9th day of August 2004, by and between Plaza West Limited Partnership, a Maryland limited partnership ("Landlord") and Sucampo Pharmaceuticals, Inc., a Delaware corporation ("Tenant").

WHEREAS, R-Tech Ueno (USA), Inc., a Delaware corporation ("R-Tech") and Trizechahn Plaza West Limited Partnership, a Maryland limited partnership ("Trizec") entered into that certain Lease dated September 16, 1998 (the "Original Lease") pursuant to which R-Tech leased certain premises in the office building located at 4733 Bethesda Avenue in Bethesda, Maryland (the "Building") on the third floor of the Building known as Suite 348 (the "Original Premises") pursuant to the terms set forth in such Original Lease.

WHEREAS, R-Tech and Trizec entered into that certain First Amendment to Office Lease dated October 4, 1999 (the "First Amendment") pursuant to which R-Tech leased certain premises in the Building consisting of 1,240 rentable square feet on the 3rd floor known as Suite 345 (the "First Expansion Space") pursuant to the terms set forth in such First Amendment;

WHEREAS, R-Tech and Trizec entered into that certain Second Amendment to Office Lease dated October 15, 1999 (the "Second Amendment") pursuant to which R-Tech leased certain premises on the 3rd floor of the Building known as Suite 350 (the "Second Expansion Space") pursuant to the terms set forth in the Second Amendment;

WHEREAS, pursuant to a certain sublease agreement between Tenant and Equity Residential Properties Trust, Tenant occupied certain premises on the 4th floor of the Building known as Suite 450 (the "Third Expansion Space") which Tenant now occupies pursuant to a license set forth in a letter from Landlord dated January 22, 2004;

WHEREAS, pursuant to a Certificate of Amendment to the Amended and Restated Certificate of Incorporation of R-Tech Ueno (USA), Inc., dated as of September 4, 2002, R-Tech changed its name to "Sucampo Pharmaceuticals, Inc.,"'

WHEREAS, Landlord has succeeded to the interest of Trizec in the Building;

WHEREAS, by way of this Third Amendment, Landlord and Tenant wish to further amend the Original Lease pursuant to the terms set forth below (the Original Lease as amended by the First Amendment, the Second Amendment and this Third Amendment, collectively, the "Lease").

NOW, THEREFORE, in consideration of the mutual promises herein contained and Ten Dollars ($10.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto mutually agree as follows:

1. Recitals Incorporated; Capitalized Terms. The foregoing recitals are hereby incorporated as a substantive portion of this Third Amendment as if fully set forth herein. All

capitalized terms used but not defined in this Third Amendment shall have the meaning ascribed to them in the Original Lease.

2. Amendments. The lease is hereby amended as follows:

a. Premises.

(i) Effective upon the date hereof, the "Premises" as defined in Section 1(P) of the Original Lease shall include those certain premises consisting of 918 rentable square feet located on the fourth floor of the Building as shown on Exhibit A hereto (the "Fourth Expansion Space") and the Third Expansion Space. No rent shall be due from Tenant to Landlord for occupancy of the Fourth Expansion Space until November 19, 2004.

(ii) Effective November 18, 2004, Tenant's lease of the First Expansion Space shall expire and Tenant shall no longer have any rights with respect to the First Expansion Space and Tenant shall return possession of the First Expansion Space to Landlord as required by the terms of the First Amendment and the Original Lease.

(iii) As a result of the additions and deletions of portions of the Premises as described in this Section 2, effective November 19, 2004, the Premises shall consist of the Original Premises (Suite 348, 3,052 rentable square feet); the Second Expansion Space (Suite 350, 1,162 rentable square feet); the Third Expansion Space (Suite 450, 6,034 rentable square feet); and the Fourth Expansion Space (918 rentable square feet) for a total of 11,166 rentable square feet.

b. Rent. Effective August 1, 2004, the Base Rent payable for the Third Expansion Space shall be Thirty Dollars ($30.00) per rentable square foot or One Hundred Eighty One Thousand Twenty Dollars ($181,020.00) per year payable in equal installments of Fifteen Thousand Eighty-Five Dollars ($15,085.00) per month in advance.

Effective November 19, 2004, Base Rent payable for the entirety of the Premises shall be Twenty-Eight and 50/100 Dollars ($28.50) per rentable square foot per annum, and shall increase on each anniversary of November 19, 2004, with the resulting Base Rent being one hundred and three percent (103%) of the Base Rent then in effect. As such, based on the entirety of the Premises constituting 11,166 rentable square feet, the Base Rent shall be Three Hundred Eighteen Thousand Two Hundred Thirty-One Dollars ($318,231.00) per year payable in equal monthly installments of Twenty-Six Thousand Five Hundred Nineteen and 25/100

Dollars ($26,519.25) payable pursuant to the terms of the Original Lease as follows:

Lease Year	Base Rent PSF	Monthly Base Rent	Annual Rent
11/19/04 - 11/18/05	$28.50	$26,519.25	$318,231.00
11/19/05 - 11/18/06	$29.36	$27,319.48	$327,833.76
11/19/06 - 11/18/07	$30.24	$28,138.32	$337,659.84
11/19/07 - 11/18/08	$31.14	$28,975.77	$347,709.24
11/19/08 - 11/18/09	$32.08	$29,850.44	$358,205.28

c. Term. Section 2A of the Lease is hereby revised so that the "Lease Expiration Date" shall be November 18, 2009.

d. Operating and Real Estate Tax Expenses.

(i) Section 5(B) of the Lease is revised so that, effective as of the date hereof, "Tenant's Share of Increased Operating Expenses" and "Tenant's Share of Increased Real Estate Tax Expenses" shall be 11.42% (11,166 rentable square feet in the Premises/97,815 rentable square feet in the Building)

(ii) Section 1(B) is hereby revised to be Calendar Year 2005 and Tenant's obligation to pay Tenant's Share of Increased Operating Expenses and Tenant's Share of Increased Real Estate Tax Expenses shall commence on November 19, 2005.

e. Tenant Improvements. Tenant shall occupy the Premises in its current "as is" condition except that Landlord shall perform improvements to the Fourth Expansion Space pursuant to the Work Agreement attached hereto as Exhibit B, so that the improvements in the Fourth Expansion Space are consistent with the quality and design of the Improvement's in the Third Expansion Space.

f. Advance Rent. Simultaneously with the execution of this Third Amendment by Tenant, Tenant shall deposit with Landlord the sum of Twenty-Six Thousand Five Hundred Nineteen and 25/100 ($26,519.25) as a deposit to be applied toward the first installment of Base Rent due hereunder.

g. Assignment and Subletting. In addition to the rights granted to Tenant under Section 23 of the Original Lease, so long as Tenant is not in default hereunder, Tenant may, upon thirty (30) days prior notice to Landlord but without Landlord's consent, sublease or assign all or any portion of the Premises to any Qualified Tenant Affiliate (as hereafter defined) without the application of Section 23(B) or 23(D)(1) of the Original Lease. A

"Qualified Tenant Affiliate" is deemed to mean any entity which shall control, be controlled by or be under common control with Tenant or which results from a merger or consolidation with Tenant or succeeds to all or substantially all of the assets of Tenant.

h. Rights of First Offer. Tenant shall have a continuing right of first offer from time to time during the Term, to lease any rentable space on the third (3rd) or fourth (4th) floor of the Building (any of such space being the "Option Space") following the vacation of such Option Space by the then current tenant of such space, subject to the prior rights described below, and subject to and in accordance with the following terms and conditions:

(i) Notice. Upon Landlord becoming aware that any Option Space may, will or has become available (such as Landlord being advised in writing by a current tenant of any Option Space that such tenant will not renew or has terminated its lease of the Option Space), Landlord shall notify Tenant of the anticipated availability of such Option Space ("Landlord's Available Space Notice"), which notice shall identify the anticipated availability date thereof, the base rent therefor (which shall be the Current Market Rent, as hereinafter defined) and all other terms and conditions on which Landlord would lease such Option Space to Tenant. As used herein, "Current Market Rent" shall mean the prevailing fair market rent as of the commencement of the lease of the Option Space for comparable office space for a comparable term on a full service basis, for a tenant of creditworthiness comparable to that of Tenant in other comparable office buildings of the same quality, size and level of finish in Bethesda, Maryland leasing non-sublease, non-encumbered space, and taking into account all relevant factors including, without limitation, the size of the Tenant's space; the term of the extension period; brokerage fees; types and amounts of escalations and rent steps; base year and pass through of real estate taxes and operating expenses, the absence of "down-time" and once hundred percent (100%) of then market concessions such as tenant allowances, inducements, cash payments, and rental abatement periods, if any.

(ii) Tenant Response. Tenant shall have a period of twenty (20) business days following receipt of Landlord's Available Space Notice to notify Landlord in writing of its decision to either exercise its option on the Option Space or dispute the Current Market Rent set forth in Landlord's Available Space Notice. If Tenant elects to dispute the Current Market Rent set forth in Landlord's Available Space Notice, Tenant and Landlord agree to negotiate in good faith for a period of ten (10) days from the date of Landlord's receipt of Tenant's notice of dispute to attempt to reach agreement with respect to Current Market Rent for the

Option Space. If Landlord and Tenant fail to reach agreement on the Current Market Rent by the end of the ten-day negotiating period, on or before the date that is three (3) days after the end of the negotiating period, Tenant must deliver to Landlord notice of its decision to either (i) exercise the Renewal Option pursuant to the terms set forth in Landlord's initial Available Space Notice; (ii) decline to lease the Option Space; or (iii) elect to lease the Option Space with the Current Market Rent to be determined by the "Three-Broker Method" (as defined below). If Tenant elects to lease the Option Space with the Current Market Rent to be determined by the Three Broker Method, then the rent for such Option Space shall be determined in accordance with the following procedure (the "Three-Broker Method"): Landlord and Tenant shall each appoint one real estate broker, and the two brokers so appointed shall select a third broker. The real estate brokers shall each be licensed in the State of Maryland, specializing in the field of commercial real estate in the Bethesda, Maryland area, having no less than ten (10) years experience in such field, unaffiliated with either Landlord or Tenant, and recognized as ethical and reputable within their field. Landlord and Tenant agree to make their appointments within ten (10) days after Landlord's receipt of Tenant's notice of its selection of the Three-Broker Method, or sooner if mutually agreed upon. The two brokers selected by Landlord and Tenant shall promptly select a third broker, within ten (10) days after they both have been appointed, and each broker, within (30) days after the third broker is selected, shall submit his or her determination of the Current Market Rent. The Current Market Rent for Tenant's occupancy of the Option Space shall be the mean of the two closest Current Market Rent determinations by the appointed brokers. Each party shall bear the cost of its appointed broker and shall share equally the cost of the third broker. If Tenant exercises its option to lease any Option Space in accordance with the terms, covenants and conditions set forth herein, within thirty (30) days of Landlord's request therefor, Landlord and Tenant shall enter into a written amendment to the Lease confirming the terms, conditions and provisions applicable to Tenant's occupancy of the Option Space as determined in accordance with this Lease. If Tenant declines to exercise the right of first offer contained in this Section 2(h) or if Tenant fails to timely respond to Landlord's Available Space Notice, then Tenant's right of first offer for the Option Space shall be null and void.

Tenant may lease the entirety, but not merely a portion, of the Option Space being offered by Landlord. In the event that Tenant does not timely notify Landlord that Tenant desires to lease the Option Space, then Landlord shall be free to lease such Option

Space to any other party on such terms and conditions as Landlord in its sole discretion may determine.

(iii) Delivery of Option Space. If Tenant elects to lease any Option Space under this Section 2(h), Landlord shall deliver possession of same to Tenant promptly after the date on which the Option Space is vacated by the prior tenant thereof on an as-is where-is basis, and the term of Tenant's leasing of such Option Space (and Tenant's obligation to commence paying rent therefor) shall commence on such delivery date and the term with respect to such Option Space shall be coterminous with the Term for the Premises and all of the other terms and conditions of this Lease shall apply to such Option Space (except as otherwise set forth in Landlord's Available Space Notice or agreed to by the parties). Landlord shall incur no liability, and the expiration date of the term for which the Option Space is so leased shall not be extended, if Landlord is unable to deliver possession of the Option Space to Tenant due to any holdover tenant's refusal to vacate same, or for any other reason.

(iv) Effect of Default. Notwithstanding anything in the Lease to the contrary, if a default exists at the time Landlord would otherwise deliver Landlord's Available Space Notice (or in the twelve (12) months preceding the time that Landlord would otherwise deliver same), at the time Tenant elects to lease any Option Space, or on the day prior to the commencement of the Lease with respect to the Option Space under this Section 2(h), then at Landlord's election, Tenant shall have no right to lease the applicable Option Space.

(v) Subject to Prior Rights. Notwithstanding anything in this Lease to the contrary, Tenant's rights under Section 2(h) are subject and subordinate to all renewal, first offer, first refusal or expansion and/or similar option or rights of any other tenant in the Building that may now exist as of the date hereof, which are set forth on Exhibit C hereto.

i. No Modification. Except as modified by the express terms of this Third Amendment, the terms, provisions, conditions and requirements of the Original Lease, as modified by the First Amendment and Second Amendment, remain in full force and effect.

j. Entire Agreement. This Third Amendment together with the First Amendment, Second Amendment and the Original Lease, constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.

k. Inapplicable Provisions. Landlord having satisfied is obligations thereunder, Section 3 and of the Original Lease and the Work Agreement contained in Exhibit C of the Original Lease shall not be applicable to the Third Expansion Space or the Fourth Expansion Space.

l. Notices and Rent Payment Address.

(i) Effective as of the date hereof, the notice addresses of the parties are as follows:

If to Landlord:	Plaza West Limited Partnership c/o Perseus Realty 2099 Pennsylvania Avenue, NW, Suite 975 Washington, DC 20036 Attn: Mr. Robert Cohen
with a copy to:	Powell, Goldstein, Frazer & Murphy LLP 1001 Pennsylvania Avenue, NW, Suite 600 Washington, DC 20004 Attention: Peter W. Segal, Esq.
And with a copy to:	CB Richard Ellis 555 11th Street, NW, Suite 300 Washington, DC 20004 Attn: Property Manager
If to Tenant:	At the Premises Attention: Sachiko Kuno, PhD

(ii) Rent Payment Address. Tenant shall send payments of Base Rent and additional rent hereunder to Landlord at the following address:

c/o Plaza West Limited Partnership
P.O. Box 890656
Charlotte, NC 28289-0656

Landlord may, upon ten (10) days prior written notice to Tenant, designate a new address to which all payments of Base Rent and additional rent hereunder shall be sent.

m. Brokers. Landlord and Tenant each represent and warrant to each other that neither it nor its officers or agents, nor anyone acting on its behalf, has dealt with any real estate broker other than CB Richard Ellis, Inc. on behalf of Landlord and Newmark of Washington, DC, LLC on behalf of Tenant (collectively, the "Brokers") in the negotiating or making of this Lease, and Landlord and Tenant shall indemnify each other and the indemnified party's agents, employees, partners, directors, shareholders

and independent contractors harmless from all liabilities, costs, demands, judgments, settlements, claims and losses, including reasonable attorneys fees and costs, incurred by the indemnified party in conjunction with any such claim or claims of any broker or brokers other than Brokers claiming to have interested Tenant in the Building or the Premises or claiming to have caused Landlord or Tenant to enter into this Third Amendment. Landlord shall pay to Brokers any leasing commission due Brokers in connection with this Third Amendment and in accordance with, and subject to the terms, covenants and conditions of a separate written commission agreement, if any, between Landlord and Brokers.

n. Miscellaneous. The captions and underlining of specific words herein are for convenience of reference only and shall not define, limit or expand the meaning of the provisions of this Third Amendment. The terms and conditions set forth in this Third Amendment are the product of joint draftsmanship by both parties, each being represented by counsel, and any ambiguities in this Third Amendment cannot be construed against any one party based solely upon a presumption of authorship. This Third Amendment may be executed in one or ore counterparts, which counterparts, when each party has signed at last one (1) counterpart hereof, shall constitute one and the same instrument. This Third Amendment shall be governed and construed in accordance with the laws of the State of Maryland. Landlord and Tenant hereby waive their right to a trial by jury in any action, proceeding or counterclaim brought by any of such parties hereto against the other in respect of any matter whatsoever arising out of or in any way connected with this Third Amendment, the Lease or the relationship of Landlord and Tenant hereunder. Neither Landlord nor Tenant shall record this Third Amendment or any memorandum thereof.

o. Authority. Landlord and Tenant represent and warrant to each other that the person signing this Third Amendment on its behalf has the requisite authority and power to execute this Third Amendment and to thereby bind the party on whose behalf it is being signed. Simultaneously with execution of this Third Amendment, Tenant will provide written evidence of the foregoing.

[Signatures Continue on Following Page]

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment as of the date and year first above written.

WITNESS/ATTEST:

By: /s/ [illegible signature]

LANDLORD:

PLAZA WEST LIMITED PARTNERSHIP, a Maryland limited partnership

By: PLAZA WEST, LLC, a Maryland limited liability company, its general partner

By: /s/ Robert L. Cohen (SEAL)
Name: Robert L. Cohen
Title: Managing Member

WITNESS/ATTEST:

By: /s/ [illegible signature]

TENANT:

SUCAMPO PHARMACEUTICALS, INC., a Delaware corporation

By: /s/ Sachiko Kuno (SEAL)
Name: Sachiko Kuno, Ph.D.
Title: Chief Executive Officer

Exhibit 10.18

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT ("Sublease") is made this 26th day of October, 2005, by and between **First Potomac Realty Investment L.P.,** a Delaware limited partnership ("Sublessor") and **Sucampo Pharmaceuticals, Inc.,** a Delaware corporation ("Sublessee").

W I T N E S S E T H:

WHEREAS, Sublessor has leased approximately 7,516 square feet of office space on the third (3rd) floor ("Premises") in the building located at 7200 Wisconsin Avenue, Bethesda, Maryland ("Building"), pursuant to a lease dated April 16, 2003 ("Lease") between Sublessor as tenant, and Artery Plaza, LLC, as landlord (the "Landlord"); and

WHEREAS, Sublessee desires to sublease from Sublessor, on the terms and conditions set forth herein, a portion of the Premises located on the third (3rd) floor of the Building containing a total of approximately 1,600 rentable square feet, as depicted on Exhibit "A" hereto (which Exhibit "A" is incorporated herein by this reference) ("Subleased Premises").

NOW THEREFORE, in consideration of the foregoing, the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is mutually agreed as follows:

1. **Recitals.** The aforementioned recitals are incorporated herein by this reference.

2. **Term.** (a) Sublessor hereby subleases the Subleased Premises to Sublessee, and Sublessee hereby subleases the Subleased Premises from Sublessor, upon and subject to the terms, conditions, rentals and conditions of the Lease and those set forth herein. The "Sublease Term" (herein so called) is approximately sixty-two (62) full calendar months (plus any partial calendar month at the beginning or end of the Lease Term), commencing on the earlier of (i) November 1, 2005, or (ii) the completion of the improvements by the Sublessor as outlined in Section 3(b) hereof and delivery of the Premises to Sublessee (the "Commencement Date"), and ending at midnight on December 31, 2010, (the "Termination Date") or at such earlier date as this Sublease may be terminated.

(b) The parties acknowledge that the targeted Commencement Date is November 1, 2005. However, if Sublessor shall be unable to deliver possession of the Subleased Premises to Sublessee on such targeted Commencement Date, for any reason, Sublessor shall not be subject to any liability for failure to tender possession on said date, and the Commencement Date and Rent Commencement shall be postponed until Sublessee is tendered possession of the Premises.

(c) If the actual Commencement Date differs from the targeted Commencement Date as set forth in this Section 2, Sublessor and Sublessee shall execute a Declaration of Sublease Commencement, substantially similar to the form attached hereto as Exhibit "B," after the Commencement Date has been ascertained.

3. **Delivery/Condition of Subleased Premises.** (a) Except as expressly set forth in subparagraph (b) below, Sublessor shall deliver and Sublessee shall accept possession of the

Subleased Premises in their current "as is" condition, and any improvements to the Subleased Premises shall be performed by Sublessee at its sole cost and expense in accordance with the terms of the Lease and this Sublease.

(b) Prior to the Commencement Date, Sublessor, at its sole cost and expense, will replace the door leading into the adjacent space currently being subleased by Donatelli and Klein, Inc. with a finished wall and will repaint the Subleased Premises using Building Standard paint ("Sublessor's Work").

4. **Incorporation of Lease.** (a) Sublessee accepts this Sublease subject to the terms and conditions of the Lease. Except as expressly provided herein, all of the applicable terms of the Lease as they pertain to the Subleased Premises are hereby incorporated into and made a part of this Sublease. During the Term of this Sublease, Sublessee assumes all of the applicable terms, covenants, conditions, obligations and agreements to be performed by Sublessor under the Lease with respect to the Subleased Premises. Such covenants, conditions, obligations and agreements include, but are not limited to those relating to the use and repair of the Subleased Premises, alterations to the Subleased Premises, and insurance with respect to the Subleased Premises (as set forth in Article 10 of the Lease). For purposes of determining Sublessee's obligations as set forth in this Paragraph 4, the parties agree that (subject to the provisions of this Sublease to the contrary), wherever the term "Premises" appears in the Lease, the same shall be deemed to mean herein the Subleased Premises and wherever the words "Landlord" and "Tenant" appear in the Lease, the words shall be deemed to refer to Sublessor and Sublessee respectively. Therefore, subject to the provisions of this Sublease, and with respect only to the Subleased Premises, Sublessor shall have the rights, powers, duties and obligations of the Landlord under the Lease and Sublessee shall have and does hereby agree to be bound by and accepts all the rights, powers, duties and obligations of the Tenant under the Lease. For purposes of clarification, several of Sublessors and Sublessee's rights and obligations under this Paragraph 4(a) are described in greater detail below. To the extent that the terms of any other provision of this Sublease are fundamentally inconsistent with the terms of this Paragraph 4(a), the other terms of this Sublease shall control.

(b) Notwithstanding the foregoing: (i) Sublessor shall have no obligation to perform or furnish any of the work, utilities, services, repairs, reconstruction or maintenance to be undertaken or to be made by Landlord under the Lease, or any other term, covenant or condition required to be performed by Landlord under the Lease, but shall use reasonable efforts to cause Landlord to perform such actions; (ii) Sublessee shall not acquire any of the rights of Tenant under the Lease with respect to Landlord; and (iii) Sublessee shall not acquire any of the rights of Tenant under the Lease with respect to the Right of First Offer (as set forth in Article 30.35 of the Lease).

5. **Rent.** (a) Beginning on the Commencement Date and continuing thereafter throughout the Term, Sublessee shall pay Sublessor, without deduction, setoff, notice or demand at the following address: First Potomac Realty Investment, LP, c/o First Potomac Management LLC, 7600 Wisconsin Avenue, 11th Floor, Bethesda, Maryland 20814 (or such other address as Sublessor shall designate in writing), Base Rent as follows:

Period	Rentable Square Foot Rate	Annual Base Rent	Monthly Base Rent
Commencement- 12/31/05	$ 31.71	$ 50,736.00	$ 4,228.00
1/1/06-12/31/06	$ 32.66	$ 52,256.00	$ 4,354.67
1/1/07-12/31/07	$ 33.64	$ 53,824.00	$ 4,485.33
1/1/08-12/31/08	$ 34.65	$ 55,440.00	$ 4,620.00
1/1/09-12/31/09	$ 35.69	$ 57,104.00	$ 4,758.67
1/1/10-12/31/10	$ 36.76	$ 58,816.00	$ 4,901.33

(b) Said Base Rent shall be payable on or before the first day of each calendar month during the Term without demand or offset. All other amounts payable hereunder by Sublessee to Sublessor shall be deemed Additional Rent. (Base Rent and Additional Rent are sometimes collectively referred to herein as "Rent"). Any payment of Monthly Base Rent not paid when due after all applicable cure periods, shall be subject to a late charge of five percent (5%) of such overdue payment. Upon Sublessee's execution of this Sublease, Sublessee shall pay to Sublessor an amount equal to one (1) month of Base Rent payable during the first Lease Year, to be credited toward the monthly installment of Base Rent payable for the first full calendar month of the Lease Term.

(c) Sublessee shall not be required to pay any Operating Expenses or Real Estate Taxes as outlined in Article 4 of the Lease. Operating Expenses and Real Estate Taxes are included in the Base Rent.

(d) In addition to the foregoing, if the Commencement Date is not the first day of a calendar month, then on the Commencement Date, in addition to the Monthly Base Rent payable with respect to the first full calendar month in accordance with the terms of subparagraph (c) above, Sublessee shall also pay Sublessor a pro rated partial monthly installment of Base Rent applicable to the period between the Commencement Date and the last day of the calendar month in which the Commencement Date occurs.

6. **Parking.** Sublessee shall have the right to lease up to three (3) parking spaces from the Landlord in the Building's parking garage at the prevailing monthly rental therefore (based on a formula of two (2) parking spaces for each 1,000 square feet of rentable area in the Subleased Premises). Sublessee's leasing of such spaces shall be subject to the terms of the Lease and Landlord's agreement with the operator of the Parking Garage.

7. **Landlord's Consent to Certain Acts.** Sublessee agrees that in any case where the provisions of the Lease require the consent or approval of Landlord prior to the taking of any action, it shall be a condition precedent to the taking of such an action that Sublessee obtains the prior written consent or approval of both Landlord and Sublessor which in the case of the Sublessor shall be reasonable and prompt. Sublessee agrees that Sublessor shall have no duty or responsibility with respect to obtaining the consent or approval of Landlord when the same is required under the terms of the Lease, other than the transmission by Sublessor to Landlord of Sublessee's request for such consent or approval and advising Sublessee of Landlord's consent, approval or refusal to grant the same.

8. **Sublessor's Right to Cure Sublessee's Default.** If Sublessee shall default in the performance of any of its obligations under this Sublease or the Lease past applicable cure periods (or shall commit any act or omission which, if uncured during any applicable cure period, will result in a default under the Sublease or Lease), then, without being under any obligation to do so, Sublessor may remedy such default for the account and at the expense of Sublessee upon prior notice. If Sublessor makes any expenditures or incurs any obligation for the payment of money pursuant to this Paragraph 8, the actual sums paid or obligations incurred shall be payable upon demand as Additional Rent by Sublessee.

9. **Assignment and Sublease.** Sublessee shall not assign, mortgage or encumber this Sublease, or allow the same to be transferred by operation of law or otherwise, and shall not sublet the Subleased Premises or any portion thereof, except with the prior written consent of Sublessor and Landlord, which consent shall not be unreasonably withheld, conditioned or delayed by Sublessor (and which consent of Landlord shall be granted or withheld in accordance with the terms of Article 15 of the Lease). Notwithstanding any provision hereof or the Lease to the contrary, no assignment, sublease or other transfer of Sublessee's interest hereunder shall in any way relieve Sublessee of its primary liability for the performance of its obligations hereunder.

10. **Brokerage Fees.** The parties hereto represent and warrant to each other (and to the Landlord) that they have not dealt with any broker in connection with this Sublease except Newmark of Washington, D.C., LLC and First Potomac Management LLC ("Brokers"), who shall be paid by Sublessor in accordance with the terms of separate written agreements. Each party hereto agrees to indemnify, defend and hold the other party (and the Landlord) harmless against any claim or liability for a commission by any broker (other than the "Brokers"), arising by reason of a breach by the indemnifying party of the aforesaid representation and warranty.

11. **Default.** Sublessee shall be deemed to be in default of its obligations hereunder if an Event of Default (as defined in Article 20 of the Lease) occurs with respect to Sublessee's obligations hereunder. Upon such Event of Default, Sublessor shall have the right to exercise any of the remedies described in Article 20 of the Lease, as well as any remedies available pursuant to applicable law.

12. **Indemnification.** (a) Sublessee hereby indemnifies and holds Sublessor harmless to the same extent as Sublessor, as Tenant, indemnifies and holds Landlord harmless pursuant to the terms of Article 11 of the Lease, (b) Sublessee agrees to indemnify Sublessor and Landlord (Sublessor and Landlord are herein collectively referred to as the "Indemnified Party") against, and hold each Indemnified Party harmless from, any loss, cost, liability or expense (including, without limitation, reasonable attorneys' fees and related disbursements) incurred by such Indemnified Party by reason of (i) any injuries to persons or damage to property occurring in, on or about the Subleased Premises, other than those arising from the negligence of such Indemnified Party, or (ii) any work or thing whatsoever done or condition created by Sublessee in, on, or about the Subleased Premises or the Building, or (iii) any act or omission of Sublessee, its agents, contractors, servants, employees, invitees or licensees, or (iv) any failure by Sublessee to perform or observe any of the covenants and obligations required of Sublessee under this Sublease. In furtherance of the foregoing, Sublessee shall not do or permit to be done anything prohibited to Sublessor, as tenant under the Lease, or take any action or do or permit any action

which would result in any additional cost or other liability to Sublessor or Landlord under the Lease or this Sublease.

13. **Landlord's Approval.** The parties acknowledge and agree that the validity of this Sublease is expressly conditioned upon the written approval by the Landlord of Sublessee's subleasing of the Subleased Premises, and that the same constitutes a condition precedent to the parties respective rights and obligations hereunder.

14. **Use.** (a) Sublessee shall use and occupy the Subleased Premises subject to the terms of the Sublease only for office use, including storage of files, and for no other purpose.

(b) Sublessee shall have exclusive use of the Subleased Premises and shall have no access to or use of the remaining portion of the Premises.

(c) Sublessee shall be responsible for installation and maintenance of all telephone lines, computer networks, photocopy machines and Internet access, and any of its other office machines in the Subleased Premises, if any. Sublessee shall coordinate with Sublessor for installation of any equipment (such as for telephone and Internet access.)

15. **Security Deposit.** Sublessee shall pay to Sublessor, on the execution of this Sublease and as security under the Sublease the sum of Four Thousand Nine Hundred One Dollars and Thirty-three Cents ($4,901.33), which will be held by Sublessor pursuant to the terms of Article 22 of the Lease and returned to Sublessee within thirty (30) days of Sublease termination.

16. **Care, Surrender and Restoration of the Subleased Premises.** (a) Without limiting any other provision of this Sublease or the Lease, Sublessee shall take good care of the Subleased Premises, shall suffer no waste or injury thereto, and shall comply with all orders and regulations which are imposed on Sublessor, as tenant under the Lease, and that are applicable to the Subleased Premises, the Building, and Sublessee's use thereof. Sublessee has been provided with a copy of Exhibit D (Rules and Regulations) to the Lease, and will comply with the terms thereof at all times.

(b) On or before the Expiration Date, Sublessee shall remove from the Subleased Premises at its sole expense (i) all of its personal property, and (ii) upon the demand of Sublessor, prior to the Expiration Date, any improvements and/or alterations that Sublessee has made to the Subleased Premises. In the absence of such a demand, all such improvements and alterations shall become the property of Sublessor, subject, however, to the terms of the Lease. Upon removal of Sublessee's property from the Subleased Premises and/or upon removal of such improvements and alterations, Sublessee shall, at its sole expense, promptly repair and restore the Subleased Premises to the condition existing prior to the placement of such personal property upon the Subleased Premises and/or the installation of such improvements and alterations, and repair any damage to the Subleased Premises and/or the building related to such removals, so as to restore the Subleased Premises to the condition required under Article 16 of the Lease. All property, permitted or required to be removed by Sublessee upon the Expiration Date, remaining on the Subleased Premises after the Expiration Date shall be deemed abandoned, and may, at the election of Sublessor, either be retained as Sublessor's property or may be removed from the

Subleased Premises by Sublessor, at Sublessee's expense. Any reasonable expenses shall be paid by Sublessee to Sublessor upon demand therefor, and shall be deemed Rent collectible by Sublessor in the same manner and with the same remedies as though such sums constituted Rent reserved hereunder. Upon the Expiration Date, Sublessee shall quit and surrender the Subleased Premises to Sublessor in the condition such premises were in on the Commencement Date, broom clean, in good order and condition, excepting ordinary wear and tear and damage by casualty/condemnation.

17. **Termination Option.** (a) Sublessee shall have a one time option to terminate this Sublease (the "Termination Option") with such Termination to be effective November 18, 2009 (the "Early Termination Date") which Termination Option shall be subject to, and, to be effective, must be exercised in strict accordance with the following terms and conditions:

(i) Sublessee notifies Sublessor in writing of Sublessee's election to exercise the Termination Option on or before August 1, 2009 ("Termination Notice"); and

(ii) at the time of Sublessee's Termination Notice, and at the time of the Early Termination Date there is no outstanding default beyond any cure period by Sublessee hereunder; and

(iii) on or before August 1, 2009, Sublessee makes payment to Sublessor, as Additional Rent hereunder, of a termination fee in the amount of Twenty Thousand and 00/100 Dollars ($20,000.00) (the "Termination Fee").

(b) If Sublessee properly exercises the Termination Option and the conditions applicable thereto have been satisfied, this Sublease shall be deemed terminated on the Early Termination Date, Sublessee shall return possession of the Premises to Sublessor in broom clean condition and in accordance with the terms of Section 16 hereof, and the parties' respective rights and obligations hereunder shall terminate, except for those obligations which accrue prior to such Early Termination Date and those rights and obligations which expressly, or by their nature, survive the termination of this Sublease (including all indemnification obligations hereunder).

18. **Time Limits.** In the event Sublessee receives from Sublessor any notice to cure any default hereunder or under the Lease which notice is based on a notice sent to Sublessor by Landlord pursuant to the Lease, Sublessee shall cure such condition no later than three (3) days prior to the time required of Sublessor by Landlord for the cure thereof, but in no event shall Sublessee have less than ten (10) days to cure any non-monetary default.

19. **Additional Terms.** (a) Sublessee and the person signing this Sublease on Sublessee's behalf agree that: (i) the individual executing this Sublease is duly authorized to execute and deliver this Sublease on behalf of Sublessee in accordance with Sublessee's organizational documents; (ii) this Sublease is binding upon Sublessee; and (iii) Sublessee is duly organized and legally existing in the state of its organization and is qualified to do business in the State of Maryland.

(b) Each and every covenant, agreement, obligation, or other provision contained in this Sublease is, and shall be construed to be, a separate and independent covenant and

agreement of the party bound thereby, and shall not be construed to be dependant on any other provision of this Sublease or the Lease (unless this Sublease or the Lease specifically provides otherwise). If any term or provision of this Sublease shall, to any extent, be declared invalid or unenforceable, the remainder of this Sublease and the application of any term or provision, to persons or circumstances other than those as to which the application is declared invalid or unenforceable, shall not be affected.

(c) All negotiations, considerations, representations and understandings between the parties are incorporated herein and are superseded hereby. This Sublease, the exhibits attached hereto, and the Lease terms incorporated herein set forth the entire agreement between Sublessor and Sublessee, and no other oral or written understandings, representations, promises or agreements have been made or relied upon by either party hereto. This Sublease may not be amended or modified by any act or conduct of the parties or by oral agreements unless reduced and agreed to in writing signed by both Sublessor and Sublessee. No waiver of any of the terms of this Sublease is binding upon either party hereto unless reduced to writing and signed by such party.

(d) This Sublease shall be governed, construed and enforced in accordance with the laws of the State of Maryland.

(e) Sublessor and Sublessee hereby waive trial by jury in any action, proceeding, claim or counterclaim brought by either party or their agents in connection with any matter arising out of or in any way connected with this Sublease, the landlord/tenant relationship created hereby, Sublessee's use or occupancy of the Subleased Premises, and/or any claim of injury or damage.

(f) This Sublease is binding upon and shall inure to the benefit of the respective parties herein, their heirs, executors, administrators, successors and permitted assigns.

(g) Neither party' failure to enforce or require strict performance of any provision of this Sublease, nor Sublessor's acceptance of Rent with knowledge of a breach shall constitute a waiver of such breach or any future breach.

(h) Except as expressly provided herein, Sublessee's indemnification obligations and Sublessee's obligations to pay Rent accruing hereunder prior to the expiration or termination of the Term will survive the expiration or earlier termination of this Sublease.

(i) Any and all notices delivered pursuant to the terms hereof shall be sent via: (i) certified mail, return receipt requested, (ii) hand delivery, or (iii) recognized overnight courier, and shall be sent to the following addresses (or such other addresses as the parties may designate by written notice to the other party in accordance with the terms hereof):

Sublessor:

First Potomac Realty Investment, L.P.
c/o First Potomac Management LLC
7600 Wisconsin Avenue
11th Floor
Bethesda, Maryland 20814
Attn: Tim Zulick

Sublessee:

Sucampo Pharmaceuticals, Inc.
7200 Wisconsin Avenue
Part of Suite 310
Bethesda, Maryland 20814
Attn:_____

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed this instrument under seal as of the day and year set forth herein.

ATTEST:

/s/ [illegible signature]

SUBLESSOR:

FIRST POTOMAC REALTY INVESTMENT, L.P.
A Delaware limited partnership

By: /s/ Timothy M. Zulick (SEAL)
Name: Timothy M. Zulick
Title: Senior VP, Leasing
Date: 10-26-05

ATTEST:

SUBLESSEE:

SUCAMPO PHARMACEUTICALS, INC.
A Delaware limited partnership

By: /s/ Sachiko Kuno (SEAL)
Name: Sachiko Kuno, PhD
Title: President & CEO
Date: October 21, 2005

Confidential Materials omitted and filed separately with the
Securities and Exchange Commission. Asterisks denote omissions.

COLLABORATION AND LICENSE AGREEMENT

THIS COLLABORATION AND LICENSE AGREEMENT (the "Agreement") is made as of October 29, 2004, by and between Sucampo Pharmaceuticals, Inc., a corporation organized under the laws of Delaware, having its principal place of business at 4733 Bethesda Avenue, Suite 450, Bethesda, Maryland 20814 USA ("SPI"), and Takeda Pharmaceutical Company Limited, a corporation organized under the laws of Japan, having its principal place of business at 1-1 Doshomachi 4-chome, Chuo-ku, Osaka 540-8645, Japan ("Takeda"). SPI and Takeda are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

Recitals

WHEREAS, SPI is a United States based pharmaceutical company; and

WHEREAS, Takeda is a multinational health care company with research, development and marketing activities in North America through its Affiliates (as hereinafter defined), and it desires to obtain potential drug products to develop and commercialize for gastroenterology indications;

WHEREAS, SPI has obtained and licensed rights to certain patents, patent applications and know-how, and certain data, related to the compound known as SPI-0211, from its affiliate Sucampo AG, a Swiss corporation having its principal place of business at Graben 5, CH-6300 Zűg, Switzerland ("SAG"), and has developed the Product (hereinafter defined) for gastroenterology indications in certain countries including without limitation the United States and Canada; and

WHEREAS, SPI has appointed R-Tech Ueno, Ltd., a corporation organized under the laws of Japan, having its principal place of business at 10F Yamato Life Insurance Bldg., 1-1-7 Uchisaiwaicho, Chiyoda-ku, Tokyo, 100-0011 Japan ("RTU") as the exclusive contract manufacturer to manufacture and supply the Compound and the Product (both hereinafter defined) for clinical and commercial purposes in certain countries including without limitation the United States and Canada;

WHEREAS, Takeda wishes to obtain from SPI an exclusive license to co-develop, use, sell, promote, offer for sale, import and distribute the Product for the gastroenterology indications in the United States and Canada under the Licensed Trademark (hereinafter defined);

and

WHEREAS, SPI is willing to grant Takeda such license and establish a collaboration for the development and commercialization of SPI-0211 on the terms and conditions contained in this Agreement.

Further, for the avoidance of doubt, the Parties intend to enter into Ancillary Agreements (hereinafter defined) with SAG regarding the intellectual property matters, and with RTU regarding the manufacturing and supply matters simultaneously with the execution of this Agreement.

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto have agreed as follows:

Article 1 INTRODUCTORY PROVISIONS

1.1 Defined Terms. The following terms, when used in capitalized form in this Agreement, shall have the meanings set forth below:

"Additional Indication(s)" shall mean all Initial Indications, other than Constipation and Constipation-predominant Irritable Bowel Syndrome ("C-IBS").

"Additional Territory" shall mean any of the following: (a) all countries in North America, Central America, South America, including the Caribbean but excluding the Initial Territory, (b) all countries in Europe, Middle East and Africa, or (c) all counties of the world other than those in the Initial Territory and those listed in (a) or (b) above. Takeda may obtain a license to Develop and Commercialize a Product for an Additional Territory as described in Section 3.3.

"Adverse Experience Data" shall mean all data concerning any serious or unexpected adverse events, side-effects and contraindications of any Product which come to the attention of either Party, its Affiliates or its sub-licensees and which is of such a nature and magnitude that it is required under the laws of any country in the Initial Territory to be collected, maintained and reported to a Regulatory Authority.

"Affiliate(s)" shall mean, in relation to a Party, any corporation or entity that, directly or indirectly, controls, is controlled by or is under common control with such Party. For purposes of this definition, the term "control" shall mean the ownership, directly or indirectly, of fifty percent (50%) or more of the voting interest in, or fifty percent (50%) or more of the equity of or the right to appoint fifty percent (50%) or more of the directors or managers of that corporation or other business entity or the power to direct or cause the direction of the management and policies of such corporation or entity, whether pursuant to the ownership of voting securities, by contract or otherwise.

"Agreed Annual Minimum PDEs" shall have the meaning set forth in Section 5.3(f).

"Agreed Annual Promotion Costs" shall have the meaning set forth in Section 5.2(b).

“Ancillary Agreements” shall mean the Agreement, dated as of the date hereof (i.e., the Effective Date), by and among SPI, Takeda and RTU (the “RTU Agreement”), and the Agreement, dated as of the date hereof (i.e., the Effective Date), by and among, SPI, Takeda and SAG (the “SAG Agreement”), and attached to the Agreement as Appendix A and Appendix B, respectively.

“Applicable Regulations” shall mean all statutes, laws and regulations applicable to the development, manufacture and testing of pharmaceutical materials in effect at a particular time and promulgated by the FDA or any other Regulatory Authority, including without limitation current good laboratory practices (“cGLP”), current good clinical practices (“cGCP”), current good manufacturing and control practices (“cGMP”) and quality system regulations (“QSR”), and any successor or replacement statues, laws and regulations.

“Bankruptcy Code” shall have the meaning set forth in Section 16.12.

“Best Efforts” shall mean those efforts that would be made by a reasonably prudent business person acting in good faith and in the exercise of reasonable commercial judgment based on acceptable practice, process and speed found in the pharmaceutical industry and taking into account the potential commercial market for the applicable product in the Initial Territory.

“Business Day” shall mean any day on which banks are not required or authorized to close in New York, New York.

“Change of Control” of a Party means the occurrence of any of the following with respect to such Party at any time after the date hereof:

(a) a merger, reorganization or consolidation of such Party with a third party which results in the voting securities of such Party outstanding immediately prior thereto ceasing to represent at least fifty percent (50%) of the combined voting power of the surviving entity immediately after such merger, reorganization or consolidation; or

(b) a third party person or group of persons becoming the direct or beneficial owner of fifty percent (50%) or more of the combined voting power of the outstanding securities or outstanding share of common stock of such Party; or

(c) the sale or other transfer of all or substantially all of such Party’s assets which relate to this Agreement to a third party.

Notwithstanding the foregoing, an internal reorganization or consolidation among SPI and its Affiliates shall not be deemed a Change of Control for purposes of this Agreement.

“Change of Control Party” shall have the meaning set forth in Section 13.3.

“Commercial Launch” shall mean the date of first sale of a Product in any country of the Initial Territory for any indication.

“Commercialization” or “Commercialize” shall mean all activities undertaken pursuant to an approved Commercialization Plan relating to the import, promotion, marketing, detail, storage,

handling, offering for sale and sale of a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

“Commercialization Plan” shall mean the written strategy, schedule and plan for the Commercialization of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, which shall be developed, modified and approved by the JCC.

“Compound” shall mean the active pharmaceutical ingredient known as SPI-0211 or by the USAN name Lubiprostone, as further described in Exhibit A.

“Confidential Information” shall mean all information, including but not limited to any information on the markets, customers, suppliers, patents or patent applications, inventions, products, procedures, designs, formulas, business plans, financial projections, organizations, employees, consultants or any other similar aspects of a Party’s present or future business, the secrecy of which confers a competitive advantage upon that Party. Confidential Information shall include the terms of this Agreement and the Proprietary Product Information.

“Covering,” “Cover” or “Covered” shall mean, with respect to a patent, that, but for rights granted to a Party under such patent, the practice by such Party of an invention claimed in that patent would infringe a Valid Claim included in the patent, or in the case of a patent application, would infringe a Valid Claim in such patent application if it were to issue as a patent. “CROs” shall mean contract research organizations.

“Development” or “Develop” shall mean all activities undertaken pursuant to an approved Development Plan to obtain Regulatory Approval for a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. This includes preclinical studies, including but not limited to toxicology, pharmacology, chemistry manufacturing and control of bulk and finished product and any clinical studies as well as all the process and procedures necessary to obtain Regulatory Approval, including preparation and submission of an NDA and other regulatory application(s).

“Development Plan” shall mean the written strategy, schedule and plan for the Development of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, which shall be developed, modified and approved by the JDC as described herein.

“Drug Approval Application” shall mean an application for Regulatory Approval, such as an NDA, required to be approved before commercial sale or use of a Product as a drug in a regulatory jurisdiction.

“Effective Date” shall mean the date first above written.

“FDA” shall mean the United States Food and Drug Administration or any successor entity thereto.

“Force Majeure” shall mean any event, not existing as of the Effective Date and not reasonably within the control of the parties as of such date, which, in whole or in material part, prevents or makes commercially unreasonable one Party’s performance of its obligations (except payment obligations) under this Agreement. Force Majeure shall include, without limitation: fire, storm, earthquake, flood, acts of State or other governmental action, war or civil unrest, strikes, and prolonged shortage of energy or any other supplies.

“Full-Scale DTC” shall mean the running of advertisements for the Product on TV in at least [**] states in the United States and for [**] or longer.

“GAAP” shall mean generally accepted accounting principles current in the United States.

“Generic Competition” shall mean commercial market penetration by one or more “Generic Equivalents” not covered by a Valid Claim of a Licensed Patent during a given year, with respect to the market for the Product, which cumulatively amounts to [**] percent ([**]%) or more of the market share of total sales of the aggregate of Product and Generic Equivalents, as determined on a per unit basis during such year based upon independent market research, the source of which will be agreed upon by the parties (e.g., IMS, Scott-Levin).

“Generic Equivalents” shall mean pharmaceutical products that contain the Compound as their active ingredient and are not developed, manufactured, marketed or otherwise commercialized by or on behalf of Takeda, Takeda Affiliates, SPI or SPI Affiliates under this Agreement.

“ICC” shall have the meaning set forth in Section 15.3.

“Initial Formulation” shall mean the oral formulation of a Product in non-enteric coated soft gel capsules which is specified in each NDA application for the Product for Constipation and C-IBS indications in the Initial Territory.

“Initial Indications” shall mean all gastroenterology indications, including but not limited to, Constipation and C-IBS for the Product.

“Initial Territory” shall mean the United States and Canada.

“JCC” shall have the meaning set forth in Section 5.1(a).

“JDC” shall have the meaning set forth in Section 4.1(a).

“JMC” shall have the meaning set forth in Section 6.1(a).

“JSC” shall have the meaning set forth in Section 3.1(a).

“Labeling Changes” shall have the meaning set forth in Section 4.2 (b)(iii).

“Liability” shall have the meaning set forth in Section 10.1.

“Licensed Know-How” shall mean all information and data, regardless of form, which is owned by or licensed (with right of sublicense) to SPI as of the Effective Date or at anytime during the

term of this Agreement and is necessary or useful to the Development, the Commercialization, use, importation or sale of the Products.

“Licensed Patents” shall mean the following, but limited to those parts relating to the Compound and/or the Product, which are owned by or licensed (with right of sublicense) to SPI covering the use, importation, or sale of the Products: (a) those patents and patent applications listed on Exhibit B hereto and any patents issuing therefrom, (b) any patents and patent applications conceived or reduced to practice during the term of this Agreement and (c) all reissues, continuations, continuations-in-part, extensions and reexaminations of any patent or patent applications referenced above. All matters in any patent, patent application or patent claim not covering the Product or the Compound shall be excluded from the scope of this definition.

“Licensed Trademarks” shall mean the trademark(s) and trade name(s) selected by SPI for use in connection with the Products that are set forth on Exhibit C hereto which may be modified from time to time, provided, however, that if the Licensed Trademarks need to be changed from those set forth as of the Effective Date on Exhibit C hereto, SPI shall consult Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) with regard to the appropriateness of the candidate of Licensed Trademarks from commercial standpoint of view.

“Manufacturing Specification” shall mean the commercial specification for the manufacturing, quality control, packaging, labeling, shipping, delivery and storage of the Product as set forth in a Drug Approval Application and/or in the specification agreed upon in accordance with this Agreement or Ancillary Agreement.

“Marketing Authorization” shall mean (a) for the United States, the approval of an NDA and (b) for any foreign jurisdiction, the approval from the relevant Regulatory Authority to necessary market and sell the Product in that country, including, without limitation, all applicable pricing and government reimbursement approvals.

“NDA” shall mean a new drug license application or supplemental application filed with the FDA or any comparable application filed with a Regulatory Authority in or for Canada to obtain Marketing Authorization for a pharmaceutical product in or for Canada.

“Negative Event” shall mean any of the following events:

(a) a material change in the Product Profile or Safety Profile;

(b) a material recall of the Product;

(c) the entry into the market of a significant competing product which was unexpected based on information known as of the Effective Date

(d) the inability of SPI to supply a material amount of the Product for a material period of time;

(e) Force Majeure.

“Net Sales Revenue” shall mean the gross invoiced sales of the Product by Takeda, Takeda Affiliates and/or its sub-licensee to a third party, less a deduction for any amounts actually incurred by Takeda, Takeda Affiliates and/or its sub-licensee for any of the following items to the extent such items specifically relate to sale of the Product and are incurred by Takeda, Takeda Affiliates and/or its sub-licensee in the normal course of business, provided that the total deductions for any particular sale shall not exceed [**] percent ([**]%) of the gross invoiced amount of such sale of the Product:

(a) credits, price adjustments or allowances for damaged products, returns or rejections of the Product;

(b) normal and customary trade, cash and quantity discounts, allowances and credits;

(c) chargeback payments and rebates granted to group purchasing organizations, managed health care organizations or to federal, state/provincial, local and other governments, including their agencies;

(d) sales, excise taxes (to the extend not refundable in accordance with applicable law) and other taxes directly related to the sale (but not including taxes assessed against the income derived from such sale); and

(e) any freight charges, including postage, shipping, insurance and transportation.

Such amounts shall be determined from the books and records of Takeda maintained in accordance with GAAP consistently applied.

“New Formulation(s)” shall mean any formulation of the Product other than the Initial Formulation.

“New Indication(s)” shall mean any indication for the Product other than the Initial Indications, which is subject to Takeda’s right of first refusal as provided in Section 3.2.

“Party” or “Parties” shall have the meaning set forth in the introductory paragraph.

“Phase IV Studies” shall mean clinical studies performed after obtaining Marketing Authorization for the purpose of supporting the marketing and Commercialization of the Product. For the avoidance of any doubt, “Phase IV Studies” does not include the RRS (as hereinafter defined).

“Post-Marketing Surveillance” shall mean all post-marketing safety surveillance in the Initial Territory with respect to the Product that is required by a Regulatory Authority in the Initial Territory or any Additional Territory in which the Products are being Developed or Commercialized.

“Primary Detail Equivalent” or “PDE” shall mean (a) one Primary Product Detail or (b) [**] Secondary Product Details.

“Primary Product Detail” shall mean a Product Detail during which key product attributes of the Product are verbally promoted and detailed in the first position on such Product Detail; provided, however, that a majority of the Product Detail time shall be spent detailing the Product.

“Product” shall mean any and all pharmaceutical preparation for human use that contains the Compound, a chemical equivalent, a salt, or a prodrug thereof as an active ingredient.

“Product Detail(s)” shall mean a face-to-face meeting in an individual or group setting between a professional sales representative and a health care professional with prescribing or dispensing authority for the purpose of discussing information about the Products.

“Product Profile” shall mean any of the following:

(a) an appropriate dose regimen in C-IBS phase III study showing the efficacy which is not materially less than shown in phase II study (SPI\0211SIB-022) and

(b) evidence of the clinical activity in both men and women.

“Proprietary Product Information” shall mean (a) all information and data now or hereafter contained in any Drug Approval Application or otherwise submitted in support of any Regulatory Approval to which either Party shall have the right under applicable law, regulations and administrative decisions to refer to, to authorize third parties to refer to and to prohibit third parties from referring to the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory; (b) all data concerning any serious or unexpected adverse events, side effects and contra-indications of the Product which may come to the attention of either Party, its Affiliates or any sublicensee; (c) all data and information in the possession of either Party, its Affiliates or any permitted sublicensee of a Party relating to (i) the pharmacological or toxicological properties of a Product, (ii) pre-clinical or clinical testing and experience in relation to a Product which is not included in any Drug Approval Application and (iii) to the extent reasonably required for purposes of any application for Drug Approval Application, the chemical composition, manufacturing processes and quality control testing of a Product and (d) all other information and data now or hereafter in existence and not in the public domain, which is in the possession of either Party and its Affiliates and which relates in any way to the development, testing, manufacture, marketing, use or sale of the Products, including, without limitation, all such information or data that is developed as a result of the Development and/or Commercialization of the Products hereunder. Notwithstanding the foregoing, any data and information developed or obtained by a Party or its Affiliates or any sublicensee that is not based upon the other Party’s confidential or proprietary information shall not be deemed to be Proprietary Product Information.

“Regulatory Approval” shall mean any approvals (including pricing and reimbursement approvals), product and/or establishment licenses, registrations or authorizations of any federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacture, use, storage, importation, marketing, export, transport or sale of a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in a regulatory jurisdiction of the Initial Territory.

“Regulatory Authority” shall mean, in respect of any country, any agency responsible for the issuance of Regulatory Approvals for pharmaceutical products marketed in that country.

“RRS” or “Regulatory Required Studies” shall mean all additional studies required by a Regulatory Authority in its approval letter or an approve letter granting of a Drug Approval Application or any other types of communication or notification from Regulatory Authority, made after the submission of NDA, for a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

“R-Tech Ueno, Ltd.” or “RTU” shall have the meaning set forth in the Recitals.

“Safety Profile” shall mean that:

(a) there is no risk management program requested by the FDA which demonstrates significant safety concerns;

(b) the Product is safe for use by patients for up to one (1) year;

(c) there are no unspecified adverse events which result in a material safety warning in the label for the Product; and

(d) the incidence of diarrhea and nausea in C-IBS phase III study is not materially higher than incidence shown in Phase II study (SPI/0211SIB-0221).

“Secondary Product Detail(s)” shall mean any Product Detail other than Primary Product Detail.

“Sucampo AG” or “SAG” shall have the meaning set forth in the Recitals.

“SPE” shall mean Sucampo Pharma Europe Ltd., a corporation organized under the laws of the United Kingdom, having a principal place of business at 78 Cannon Street, London EC4N6NQ United Kingdom.

“SPE Option Fee” shall have the meaning set forth in Section 3.3.

“SPE Territory” shall have the meaning set forth in Section 3.3.

“SPI Option Fee” shall have the meaning set forth in Section 3.3.

“SPI Territory” shall have the meaning set forth in Section 3.3.

“SPL” shall mean Sucampo Pharma, Ltd., a corporation organized under the laws of Japan, having a principal place of business at Sakurabashi Toyo-Building, 4F, 2-2-16 Sonezakishinchi, Osaka 530-0002 Japan.

“SPL Option Fee” shall have the meaning set forth in Section 3.3.

“SPL Territory” shall have the meaning set forth in Section 3.3.

“Takeda Affiliates” shall mean those Affiliates of Takeda as set forth in Article 2, and are listed on Exhibit D; provided that Exhibit D may be modified from time to time during the term of this Agreement by mutual written agreement of SPI and Takeda.

“TPDHC” shall mean the Therapeutic Products Directorate of Health Canada.

“Valid Claim” shall mean a claim of an issued and unexpired patent that has not been revoked or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, held unappealable or for which an appeal has not been filed within the time allowed for appeal, and which has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise. For the purposes of this Agreement, a Valid Claim shall also include a claim in a pending patent application which: (a) is or will be under active prosecution, (b) has been the subject of a request for formal examination or (c) is pending as a provisional application.

1.2 Other Rules of Interpretation. Unless the context clearly indicates otherwise, the following rules shall govern the interpretation of this Agreement:

(a) The definitions of all terms defined herein shall apply equally to the singular, plural, and possessive forms of such terms.

(b) All references to “Sections,” or “Exhibits” shall mean the corresponding Sections of and Exhibits to this Agreement.

Article 2 GRANT

2.1 Grant of License. Subject to the terms and conditions of this Agreement and the Ancillary Agreement and during their terms, SPI hereby grants to Takeda, exclusive, non-transferable license, with the right to sublicense Takeda Affiliates, under the Licensed Patents and Licensed Know-How, to co-develop, use, sell, promote, offer for sale, import and distribute the Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory under the Trademark. Takeda shall not sub-license such rights to, or enter into other arrangements with respect to such rights with, any third party (except for Takeda Affiliates) for any purpose, excerpt with a prior written consent of SPI. The foregoing license grant (a) does not in any way limit SPI’s and its Affiliates’ right to conduct Development or Commercialization of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory under the terms and conditions of this Agreement, or (b) does not grant Takeda and, if applicable, Takeda Affiliates or its-sub-licensees any rights to manufacture the Products unless otherwise agreed upon by SPI and Takeda in writing.

2.2 Trademark License. Subject to the terms and conditions of this Agreement and the SAG Agreement and during their terms, SPI hereby grants to Takeda an exclusive, non-transferable, limited license, with a right of sublicense to Takeda Affiliates, to use the Licensed Trademarks to advertise, market, promote and sell the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. Takeda shall not sub-license such Trademark License to, or enter into other arrangements with respect to such Trademark License with, any third party (except for Takeda Affiliates) for any purpose, excerpt

with a prior written consent of SPI. All such trademark usage by Takeda and, if applicable, Takeda Affiliates or its sub-licensee shall be in accordance with the guidelines and specifications provided by SPI from time to time subject that such guidelines and specifications are commercially reasonable. Takeda shall not acquire any rights in the Licensed Trademarks except the limited licensed granted hereunder, and all such use by Takeda shall inure to the benefit of SPI and/or its licensors.

2.3 Sub-license by Takeda. The right to sub-license to a third party or its Affiliates, with an exception for Takeda Affiliates, granted to Takeda under Section 2.1 and 2.2 shall be on the condition that the terms of any such sub-license shall be in accordance with the terms of the license granted to Takeda hereunder and shall be subject to the prior approval of SPI, such approval not to be unreasonably withheld or delayed.

2.4 Assurance by Takeda. Notwithstanding the appointment of any such Takeda Affiliates or its sub-licensee(s), Takeda shall assure to SPI the performance of its obligations under the terms hereof by Takeda, Takeda Affiliates or its sub-licensee(s). For the avoidance of any doubt, Takeda shall be responsible to SPI for any breach of such obligations, whether such breach was caused by Takeda, Takeda Affiliates or its sub-licensee(s).

Article 3 COLLABORATION

3.1 Joint Steering Committee.

(a) Within thirty (30) days after the Effective Date, the parties shall form a Joint Steering Committee ("JSC") for the purpose of achieving mutually beneficial goals to maximize the value of the Product. The JSC shall provide overall management and strategic guidance for the collaboration between the Parties under this Agreement, and act in good faith to facilitate the collaboration between the Parties. The JSC shall be composed of three (3) executive representatives appointed by each Party (Such representatives may be management representatives of each Party's Affiliates.), with a rotating chairman each year; the chairman for the first year shall be from SPI. All decisions of the JSC shall be unanimous.

(b) The JSC shall meet, at a minimum, on a semi-annual basis, at a location(s) agreed upon by the JSC or by telephone or video conference, provided that any decision made during a meeting is evidenced in a writing signed by one of the members of the JSC from each of the Parties. Each Party shall bear the travel and living expenses of its own personnel to attend any such meetings. The JSC shall keep minutes reflecting actions taken at meetings.

(c) The JSC responsibilities shall include (i) reviewing the Development Plan and Commercialization Plan, (ii) coordinating Initial Territory and Additional Territory, if any, Development and Commercialization efforts with the JDC, JCC or JMC, (iii) discussing and deciding necessary actions and solutions when the sale of the Product has stagnated as further discussed in Section 5.3(e), and (iv) resolving any conflicts arising within the JDC, JCC and JMC. In the event any such dispute arises within the JDC, JCC or JMC, JSC shall meet and confer in a good faith effort to resolve the conflict within [**]. If no resolution is reached during such time frame, the Chief Executive Officer of SPI and the Chief Operating Officer of Takeda shall meet for further discussions and resolution of the matter. If such executives are not able to

resolve the dispute within a timely manner, the Chief Executive Officer of SPI shall cast the deciding vote for disputes arising from the JDC and the JMC, and the Chief Operating Officer of Takeda shall cast the deciding vote for disputes arising from the JCC. The Parties shall faithfully perform their respective obligations hereunder fully cooperating with each other. As the term of the Agreement is through the year of 2020, there may be a material change in circumstance which would impose undue hardship upon a Party performing its obligations hereunder in such quite long time. In such case, the JSC and the meeting between the Chief Executive Officer of SPI and the Chief Operating Officer of Takeda shall be an instrumentality for the Parties to confer in good faith as to how to cope with such difficulty. Thus, the JSC shall also meet as necessary to discuss and resolve any significant changes, including but are not limited to, changes in economic conditions, changes in market conditions, or any other changes that could adversely impact the Development and/or Commercialization of the Product as well as collaboration between the Parties.

(d) Notwithstanding the creation of the JSC, JDC, JMC and JCC, each Party shall retain the rights, powers and discretion granted to it hereunder, and such committees shall not be delegated or vested with any such rights, powers or discretion unless expressly so agreed in writing. Such committees shall not have the power to amend or modify this Agreement, which may be amended or modified only as provided in Section 16.6.

3.2 New Indications. If SPI develops any New Indication(s) for the Products in the Initial Territory, Takeda shall be given the right of first refusal to obtain a license to develop and commercialize the Products for such New Indication(s) in the Initial Territory. SPI shall provide Takeda with notice of any such New Indication(s) once SPI enters into a proof of concept studies or Phase II studies for a New Indication(s) together with all such material information with regard to such New Indication(s) as enables Takeda to evaluate the New Indication(s) and its potential marketability, and if Takeda desires to obtain a license to the New Indication(s) stated in such notice for the Initial Territory pursuant to a separate written license agreement, the Parties shall then negotiate in good faith for a period of [**] after Takeda's receipt of such notice. If basic terms and conditions of such license agreement have not been agreed upon by the Parties within the foregoing period, SPI shall be entitled to develop and commercialize the Product for such New Indication(s), and Takeda shall have no further rights with respect to such New Indication(s).

3.3 Additional Territories. SPI shall represent itself and its Affiliates in discussions regarding the granting to Takeda of a license to develop and commercialize the Products in the Additional Territory for which such Affiliate has appropriate right and license. In particular, SPI shall be responsible for all countries in North, Central and South America (excluding the US and Canada, which countries are the subject of the license granted under this Agreement to Takeda) (the "SPI Territory"), SPE shall be responsible for Europe, the Middle East and Africa (the "SPE Territory"), and SPL shall be responsible for all other countries in the world, including Japan (the "SPL Territory"). With respect to the SPE Territory, Takeda shall pay SPI, for the benefit of SPE, an option fee (the "SPE Option Fee") of [**] United States Dollars (US$[**]) within [**] of the Effective Date in order to obtain an exclusive option to negotiate and secure rights in the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the SPE Territory, pursuant to a separate written license agreement, provided, however, that if no such agreement is executed, the aforementioned option for the SPE Territory

shall automatically expire upon the receipt of NDA approval by SPI for the Constipation indication for the Initial Territory, and SPI shall refund to Takeda [**] United States Dollars (US$[**]) of the SPE Option Fee paid by Takeda. With respect to the SPL Territory, Takeda shall pay SPI, for the benefit of SPL, an option fee (the "SPL Option Fee") of [**] United States Dollars (US$[**]) within [**] of the Effective Date in order to obtain a [**] exclusive option to negotiate and secure rights in the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the SPL Territory, pursuant to a separate written license agreement; provided, however, that if no such agreement is executed, the aforementioned option for the SPL Territory shall automatically expire after [**], in which case, SPI shall refund to Takeda [**] United States Dollars (US$[**]) of the SPL Option Fee paid by Takeda. The Parties agree that, during the option periods mentioned above, they will in good faith explore the best way to commercialize the Product in each of SPE Territory and SPL Territory. With respect to the SPI Territory, Takeda shall not be required to pay SPI a fee in order to obtain an exclusive option to negotiate and secure rights in the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the SPI Territory, pursuant to a separate written agreement, provided, however, that if no such agreement is executed, the aforementioned option for the SPI Territory shall automatically expire upon the receipt of NDA approval by SPI for the Constipation indication for the Initial Territory. The SPE Option Fee and the SPL Option Fee shall be creditable towards any payments due under any license agreement entered into between Takeda and SPI or the applicable SPI Affiliate.

3.4 Coordination with SPI Affiliates. SPI shall facilitate the planning and coordination of the Development and Commercialization of the Products hereunder with its Affiliates in the Additional Territories, in order to avoid conflicts regarding the Development and Commercialization strategies for the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory and Additional Territories.

Article 4 DEVELOPMENT

4.1 Joint Development Committee.

(a) As soon as practicable after the Effective Date, the parties shall form a Joint Development Committee ("JDC") to focus on and manage the Development of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. The JDC shall be composed of two (2) management representatives appointed by each Party (Such representatives may be management representatives of each Party's Affiliates.), with a rotating chairman each year; the chairman for the first year shall be from SPI. All decisions of the JDC shall be unanimous.

(b) The JDC shall meet, at a minimum, on a quarterly basis, at a location(s) agreed upon by the JDC or by telephone or video conference, provided that any decision made during a meeting is evidenced in a writing signed by one of the members of the JDC from each of the Parties. Each Party shall bear the travel and living expenses of its own personnel to attend any such meetings. The JDC shall keep minutes reflecting actions taken at meetings.

(c) The JDC responsibilities shall include (i) managing and overseeing Development of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, (ii) developing, approving and modifying the Development Plan for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, (iii) developing regulatory strategy and protocols for the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, (iv) managing Development budgeting for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory and (v) overseeing the approval process for all required Regulatory Approvals for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. If the JDC cannot resolve an issue within its purview, the JSC shall attempt to resolve the conflict; provided, however that if a dispute arises with respect to the Additional Indications or New Formulations of the Products, the JCC shall be entitled to resolve such dispute.

4.2 Parties' Responsibilities.

(a) In line with their respective role as provided for in this Agreement, SPI and Takeda each agree to collaborate diligently in the Development of the Product and to use their Best Efforts to Develop and bring the Product to market for the Initial Indications and, if applicable, Additional Indications and/or New Formulations provided for in the Development Plan, in the Initial Territory as soon as practicable. Each party further agrees to execute and substantially perform the obligations assumed by it under the Development Plan within the budgets set forth therein and to cooperate with the other party in carrying out the Development Plan.

(b) As part of such Development Plan, the Parties agree that:

(i) Development for NDA submission for Constipation and C-IBS. SPI shall conduct all Development work necessary for an NDA submission in the Initial Territory for Constipation and C-IBS in the Initial Formulation. Takeda shall fund all Development (which is conducted after the Effective Date) of the Product for Constipation and C-IBS for the Initial Territory up to maximum aggregate amount of Thirty Million United States Dollars (US$30,000,000) in accordance with the then current Development Plan approved by the JDC. If such funding exceeds Thirty Million United States Dollars (US$30,000,000), then (a) SPI shall fund the next Twenty Million United States Dollars (US$20,000,000) and (b) Takeda and SPI shall equally share any required funding in excess of Fifty Million United States Dollars (US$50,000,000). In accordance with the foregoing provisions of this Section 4.2 (b)(i), SPI shall submit an invoice to Takeda [**] prior to the first day of each calendar quarter for the estimated costs to be incurred by SPI during such quarter, and Takeda shall pay to SPI the Development cost on a quarterly basis against an invoice submitted to it by SPI, within [**] after its receipt of such an invoice. With regard to the period from the Effective Date until December 31, 2004, SPI shall submit an invoice to Takeda within [**] after the completion of the first JDC meeting for the estimated costs to be incurred by SPI during such period, and Takeda shall pay SPI the Development cost within [**] after its receipt of such an invoice. Within [**] after December 31 and June 30 (for the avoidance of doubt, the period from the Effective Date until December 31, 2004 shall be deemed to be the first quarter and the first half year for purposes of

this section), the Parties shall review the amounts paid by Takeda to SPI and make any adjustments that may be required. For example, (a) if the amount paid by Takeda under this Section 4.2(b)(i) for a calendar half year was Ten Million United States Dollars (US$10,000,000) and the amount actually spent by SPI for the same period was Eleven Million United States Dollars (US$11,000,000), Takeda would be required to pay SPI an additional One Million United States Dollars (US$1,000,000) within [**] after the end of such half year, and (b) if the amount paid by Takeda under this Section 4.2(b)(i) for a calendar half year was Ten Million United States Dollars (US$10,000,000) and the amount actually spent by SPI for the same period was Nine Million United States Dollars (US$9,000,000), SPI would be required to pay Takeda One Million United States Dollars (US$1,000,000) within [**] after the end of such half year; provided that neither Party shall be required to pay any interest to the other Party with respect to payments made under this Section. SPI shall submit to Takeda documentary evidence demonstrating the correctness of any invoiced amount within [**] after the end of each quarter; provided, however that in the event such documentary evidence is not available within [**], SPI shall forward it to Takeda as soon as reasonably practicable. For the avoidance of doubt, the Development cost to be funded by Takeda under this Section 4.2 (b)(i) shall include both external and internal costs of SPI; provided, that SPI's internal costs shall be included only if such costs are lower than the costs that would have been paid to a reputable CRO for such work. The JDC shall review the invoice every quarter and approve and adjust the payment in accordance with the Development Plan budget agreed to by the JDC. SPI shall use its Best Efforts to make an NDA filing for Constipation in the first (1st) quarter of the calendar year [**], and shall use its Best Efforts to make an NDA filing for C-IBS in the first (1st) quarter of the calendar year [**]; provided that SPI's failure to make such filings in the applicable time frame shall not be deemed a breach of this Agreement; and provided, further that the Parties acknowledge that SPI's ability to make such filings are dependent upon SPI having adequate funding and the performance of its outside vendors, each despite of the fact that SPI has exerted its Best Efforts.

(ii) Regulatory Required Studies or RRS for Constipation and C-IBS. SPI shall conduct all additional Studies required by the Regulatory Authority for Constipation and C-IBS in the Initial Territory. Takeda and SPI shall equally share the external costs of the RRS in the Initial Territory. Notwithstanding the foregoing, in no event shall SPI be required to incur costs of more than Twenty Million United States Dollars (US$20,000,000) pursuant to this Section 4.2(b)(ii) and, with respect to any costs to be incurred by SPI in excess of [**] United States Dollars (US$[**]), Takeda shall, at the request of SPI, pay such costs and deduct them from the next Development Milestone due to SPI, or in the event that there is no Development Milestone, against any royalties due to SPI. However, if this Agreement is terminated for any reason other than SPI's breach of this Agreement or any agreement entered into in connection herewith, before the nearest Development Milestone becomes due, Takeda will not be entitled to request reimbursement from SPI for any amount in excess of [**] United States Dollars (US$[**]) to be incurred by SPI.

(iii) Labeling Changes for Constipation and C-IBS. SPI shall conduct all studies required to modify, change or expand the labeling for the Products ("Labeling Changes") for Constipation and C-IBS in the Initial Territory approved by JCC and in accordance with the then current Development Plan approved by the JDC. Takeda shall fund seventy percent (70%) of such studies and SPI shall fund the remaining thirty percent (30%). SPI shall submit an invoice

to Takeda [**] prior to the first day of each calendar quarter for the estimated costs to be incurred by SPI during such quarter, and Takeda shall pay to SPI the Development cost on a quarterly basis against an invoice submitted to it by SPI, within [**] after its receipt of such an invoice. Within [**] after December 31 and June 30 (for the avoidance of doubt, the period from the Effective Date until December 31, 2004 shall be deemed to be the first quarter and the first half year for purposes of this section), the Parties shall review the amounts paid by Takeda to SPI and make any adjustments that may be required in the same way as provided for in Section 4.2 (b)(i). For the avoidance of doubt, the costs to be shared by Takeda and SPI under this Section 4.2 (b)(iii) shall include both external and internal costs of SPI; provided, that SPI's internal costs shall be included only if such costs are lower than the costs that would have been paid to a reputable CRO for such work. The JDC shall review the invoice every quarter and approve and adjust the payment in accordance with the Development Plan budget agreed to by the JDC.

(iv) Additional Indication(s)/New Formulation(s): SPI shall conduct the Development of Additional Indication(s) and/or New Formulation(s) in the Initial Territory approved by the JCC. With regard to the Development of Additional Indications for the Initial Territory, Takeda shall fund all Development, including RRS, up to maximum aggregate amount of Fifty Million United States Dollars (US$50,000,000) per each Additional Indication in accordance with the then current Development Plan approved by the JDC, and, if such funding exceeds Fifty Million United States Dollars (US$50,000,000) then Takeda and SPI shall equally share any required funding in excess of Fifty Million United States Dollars (US$50,000,000). With regard to the Development of New Formulation(s) for the Initial Territory, Takeda shall fund all Development, including RRS, up to maximum aggregate amount of Twenty Million United States Dollars (US$20,000,000) per each New Formulation in accordance with the then current Development Plan approved by the JDC, and, if such funding exceeds Twenty Million United States Dollars (US$20,000,000), then Takeda and SPI shall equally share any required funding in excess of Twenty Million United States Dollars (US$20,000,000) .

(v) Post Marketing Surveillance. Takeda shall conduct and fund all Post Marketing Surveillance on the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. Prior to filing the results of any Post-Market Surveillance with a Regulatory Authority, Takeda shall first submit such results and filing to SPI for its review and approval, provided, however, that if, in order to meet regulatory reporting time frame, it is difficult for Takeda to submit the results to SPI prior to filing the same to a Regulatory Authority, Takeda shall be allowed to submit the same to a Regulatory Authority first and shall then submit the same to SPI without undue delay.

(vi) Phase IV Studies (for marketing purposes): Takeda shall, if decided and approved by the JCC, conduct and fund Phase IV studies for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

(vii) Product samples for Development: The Development cost shall include those costs incurred to acquire Product samples to be used for the Development.

4.3 Coordination of Testing and Trials. The parties shall keep each other fully and currently informed as to all tests and trials (including the RRS) that they intend to carry out for purposes of compliance with Applicable Regulations and shall cooperate to determine the design

of such tests and trials in order to ensure to the maximum possible extent that duplication of effort shall be avoided, and, that the results shall be suitable for filing with Regulatory Authorities in the Initial Territory. The Parties shall share with each other all results of clinical trials and other information regarding the Products for purposes of carrying out the terms of this Agreement. Without limiting the generality of the foregoing, the parties shall use their Best Efforts to ensure that all clinical trials of the Products that they shall undertake after the Effective Date shall be designed and conducted in accordance with good clinical practices as established for the Initial Territory.

Article 5 COMMERCIALIZATION

5.1 Joint Commercialization Committee.

(a) Within thirty (30) days after the Effective Date, the parties shall form a Joint Commercialization Committee ("JCC") to focus on and manage the Commercialization of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations agreed upon in the Commercialization Plan in the Initial Territory. The JCC shall be composed of two (2) management representatives appointed by each Party (Such representatives may be management representatives of each Party's Affiliates.), with the chairman from Takeda. All decisions of the JCC shall be unanimous.

(b) The JCC shall meet, at a minimum, on a quarterly basis, at a location(s) agreed upon by the JCC or by telephone or video conference, provided that any decision made during a meeting is evidenced in a writing signed by one of the members of the JCC from each of the Parties. Each Party shall bear the travel and living expenses of its own personnel to attend any such meetings. The JCC will keep minutes reflecting actions taken at meetings.

(c) The JCC responsibilities will include (i) developing, managing and overseeing the Commercialization Plan and strategy for the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations, agreed upon in the Commercialization Plan, in the Initial Territory, (ii) approving Phase IV Studies for marketing purposes for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, (iii) managing and overseeing Commercialization budgets for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, (iv) checking the status of planned activities, (v) determining go/no-go of Labeling Change(s), Additional Indication(s) and New Formulation(s) of the Products in the Initial Territory and (vi) discussing and coordinating the arrangement of and facilitating the collaboration and coordination between the parties during the co-promotion period. In addition, the JCC shall set the number of sales representatives and product positioning for the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

5.2 Commercialization.

(a) Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) shall Commercialize the Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory at its own expense in accordance with the terms

and conditions contained herein and in accordance with the Commercialization Plan approved by the JCC, subject to Section 5.2(b). Such costs as shall be borne by Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) for the Commercialization shall include, but not be limited to: the costs of developing all marketing materials, preparing all Product samples, scientific meetings, Phase IV Studies for marketing purpose, training all sales representatives of Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)), salaries and any other expenses of employees of Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) relating to the Commercialization of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

(b) Takeda's obligation to fund Commercialization as described in Section 5.2(a) shall be at a minimum the Agreed Annual Promotion Costs ("W") in the Initial Territory, where "W" shall be fixed as follows:

(i) "W" shall be Ten Million United States Dollars (US$10,000,000) per twelve (12) month period (Eight Hundred Thirty Three Thousand United States Dollars (US$833,000) per month) during the period in which the NDA approval is only for the Constipation indication of the Initial Indications. However, if the FDA approves "C-IBS associated with Constipation" to be included and used in the Constipation labeling of the Product, "W" shall be increased to [**] United States Dollars (US$[**]) per twelve (12) month period ([**] United States Dollars (US$[**]) per month).

(ii) "W" shall be Eighty Million United States Dollars (US$80,000,000) per twelve (12) month period (Six Million Six Hundred Sixty Six Thousand United States Dollars (US$6,666,000) per month) for thirty six (36) months after the receipt of an NDA approval for the C-IBS indication (and as the result, NDA approvals for both Constipation and C-IBS exist). For the avoidance of doubt, the above amount of Eighty Million United States Dollars (US$80,000,000) per twelve (12) month period (Six Million Six Hundred Sixty Six Thousand United States Dollars (US$6,666,000) per month) shall apply only if Full-Scale DTC ("Direct-to-Consumers") is conducted in such twelve (12) month period. Whether and how to conduct Full-Scale DTC shall be discussed and decided by the JCC, taking into consideration the result of study by a reputable outside agent as to whether a Full-Scale DTC would increase sales of the Products. If the JCC decides not to conduct Full-Scale DTC in a twelve (12) month period, then "W" for such period shall be, notwithstanding the above, [**] United States Dollars (US$[**]) per twelve (12) month period ([**] United States Dollars (US$[**]) per month). For the period after the expiration of the said thirty six (36) months, "W" shall be discussed and decided by the JCC.

(iii) The obligations for funding under item (i) above shall commence on the first day of the calendar month immediately after the NDA approval for Constipation is obtained. The change in funding from item (i) to item (ii) above shall occur as of the first day of the calendar month immediately after the NDA approval for C-IBS is obtained (and as the result NDA approvals exist for both Constipation and C-IBS indications).

5.3 Promotion and Marketing.

(a) Takeda shall use its Best Efforts to promote, market and sell the Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory in accordance with the Commercialization Plan.

(b) If Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) fails to achieve [**] United States Dollars (US$[**]) in annual Net Sales Revenue for the Product in the Initial Territory between the [**] after Commercial Launch of such, SPI shall have the right to terminate this Agreement. Prior to terminating this Agreement in accordance with this Section 5.3(b), SPI shall provide Takeda for a period of [**] with the opportunity to propose amendments to this Agreement. If such proposed amendments are agreeable to SPI, the parties shall renegotiate in good faith this Agreement. In the event that such proposed amendments are not agreeable to SPI, this Agreement shall be terminated. If this Agreement is terminated by SPI in accordance with this Section 5.3(b), the license granted by SPI to Takeda under this Agreement shall terminate and SPI shall reacquire all rights granted to Takeda under the Article 2.

(c) If Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) fails to achieve an aggregate of [**] United States Dollars (US$[**]) in Net Sales Revenue of the Products in the Initial Territory during the [**] commencing from the Commercial Launch of the Product for the C-IBS indication in the Initial Territory, SPI shall have the right to terminate this Agreement. Prior to terminating this Agreement in accordance with this Section 5.3(c), SPI shall provide Takeda for a period of [**] with the opportunity to propose amendments to this Agreement. If such proposed amendments are acceptable to SPI, the Parties shall renegotiate in good faith this Agreement. In the event that such proposed amendments are not acceptable to SPI, this Agreement may be terminated by SPI. If this Agreement is terminated by SPI in accordance with this Section 5.3(c), the license granted by SPI to Takeda under this Agreement shall terminate and SPI shall reacquire all rights granted to Takeda under the Article 2, provided, however, that Takeda shall have an option within such [**] to enter into a co-promotion agreement whereby Takeda shall be granted a license to co-promote the Product with SPI in the Initial Territory for a period of [**], subject to an agreement between the Parties of the terms and conditions for such co-promotion agreement, including without limitation co-promotion fee to be paid to Takeda and a number of Product Detail to be conducted. In the event that SPI and Takeda cannot agree on the terms and conditions for such co-promotion agreement within such six (6) month period, this Agreement shall be terminated.

(d) SPI's termination right under Section 5.3(b) and Section 5.3(c) is the exclusive remedy of SPI for Takeda's (or if applicable, Takeda Affiliates' or its sub-licensee(s)') not attaining the Net Sales Revenue set forth in Section 5.3(b) and Section 5.3(c).

(e) If the sales of the Product has stagnated anytime after [**] from the Commercial Launch of the Product for the C-IBS indication in the Initial Territory, the JSC shall meet and discuss possible actions and solutions.

(f) Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) shall perform at least the Agreed Annual Minimum PDEs ("X") in the Initial Territory.

"X" shall be fixed as follows:

(1) "X" shall be [**] during the [**] period commencing after receipt of NDA approval for Constipation,

(2) "X" shall be [**] during the [**] period after receipt of NDA approval for C-IBS, and

(3) for the [**] and thereafter after receipt of NDA approval for C-IBS, "X" shall be determined by the JCC [**] before the start of each such [**] period, provided, however, that "X" between the [**], and between the [**], respectively, shall not be less than [**] percent ([**]%) of "X" for the immediately preceding [**] period.

For the avoidance of any doubt:

x) if the NDA approval for C-IBS has not been obtained, Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) shall still be required to perform the Agreed Annual Minimum PDEs of [**] per each [**] period ([**] per month); and

y) if the NDA approval for C-IBS has been obtained, then beginning on the first day of the month immediately succeeding the month in which the NDA approval for C-IBS is obtained, "X" shall be increased from [**] per month to [**] per month.

If the actual PDEs performed by Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) during a given [**] period are less than the Agreed Annual Minimum PDEs for such period ("X1"), the shortage ("Y1") shall be carried over to the next [**] period. If the actual PDEs performed by Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) during the next [**] period ("APDE") are less than the Agreed Annual Minimum PDEs for such period ("X2") plus "Y1", Takeda shall pay the following amount ("Z") to SPI as SPI's exclusive remedy:

Z = (X2 + Y1 – APDE) x US$[**]

(g) Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) shall only market, promote and sell the Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory as permitted hereunder using the Licensed Trademarks pursuant to the license granted in Article 2, except that Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) may use its name and logo in connection with the promotion of Products in a manner approved by the JCC and all applicable Regulatory Approvals.

(h) Notwithstanding anything herein contained to the contrary, if an Negative Event shall occur, the JCC will meet and discuss in good faith whether any adjustments should be made to the performance requirements set forth in Sections 5.2(b), 5.3(b), 5.3(c) and 5.3(f) and if it is decided to make such adjustment, the extent of such adjustment.

5.4 Co-promotion By SPI.

(a) SPI retains the right and license to co-promote the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, subject to SPI performing a minimum of [**] PDEs per [**] period. The detailed plans and arrangement of co-promotion by SPI shall be discussed and agreed at the JCC. SPI shall use its own sales force to co-promote the Products in the Initial Territory. If SPI chooses to co-promote the Products with Takeda (including Takeda Affiliates and sub-licensee(s)) in accordance with this Section 5.4, Takeda shall pay SPI [**] United States Dollars (US$[**]) per each PDE. In the event that SPI does not perform a minimum of [**] PDEs in a given [**] period in which it co-promotes the Products with Takeda (including Takeda Affiliates and sub-licensee(s)), it shall be permitted to make up the shortfall in the next [**] period it co-promotes the Products with Takeda (including Takeda Affiliates and sub-licensee(s)). If SPI does not perform a minimum of [**]) PDEs in the second [**] period plus any shortfall from the first [**] period, the JCC shall meet and discuss the possibility of SPI continuing to co-promote the Products and any adjustments in the minimum number of PDEs to be performed by SPI or the price to be paid to SPI per each PDE. Any PDEs agreed by the JCC to be conducted by SPI in a given [**] period shall be deducted against the Agreed Annual Minimum PDEs to be conducted by Takeda (including Takeda Affiliates and sub-licensee(s)) in accordance with Section 5.3(f), provided, however, that such deduction shall not occur in the case which SPI promotes or co-promotes the Product as a result of Section 5.3(b) or 5.3(c).

(b) Subject to Section 5.3 (f), [**] before the start of each [**] period, the JCC shall determine the annual minimum number of PDEs that shall be made in a period by Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) and/or SPI. In the event that the number of PDEs that either Party is required to make changes, then the Parties shall agree on an appropriate adjustment to the compensation structure agreed upon by the Parties.

(c) All sales representatives co-promoting the Products as permitted hereunder shall be required to use only the promotional materials approved by the JCC. As required in order for SPI's co-promotion of the Products, Takeda shall at its cost provide samples and promotional materials to SPI's sales representatives in a manner and quantity consistent with its provision of samples and promotional materials to its own corresponding sales force. Takeda will train SPI's sales representatives together with its own sales representatives. For avoidance of doubt, personnel costs such as salary and travel and accommodation costs of SPI's sales representatives shall be, even during the training by Takeda, borne by SPI. SPI shall at its cost be responsible for sample accountability with regard to the samples used or delivered by SPI's sales representatives. Takeda shall be responsible for the fulfillment of all Product orders for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. If SPI receives any orders for the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, SPI shall refer such order to Takeda for fulfillment.

5.5 Record Keeping and Booking of Sales. Takeda shall record on its books all revenue from gross and Net Sales Revenue of the Product, provided, however, that in the case of termination of this Agreement by SPI under the Section 5.3(b) or 5.3(c), SPI shall record on its books all revenue from gross and Net Sales Revenue of the Product. SPI and Takeda shall each be responsible for the maintenance of records corresponding to the invoice of the expenses and activities of their respective sales representatives including, without limitation, a monthly record of the number of PDEs. Each Party shall have the right to review and audit all such records of the other Party.

5.6 Compliance with Laws. Takeda and SPI shall each ensure that all marketing, promotion and sale of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory as permitted hereunder complies with the conditions and requirements of applicable Regulatory Approvals, and with all Applicable Regulations in the Initial Territory.

5.7 Non-Compete. During the term of this Agreement, Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) shall not directly or indirectly promote, market or sell in the Initial Territory [**].

5.8 Use of Proprietary Product Information Outside Initial Territory. If any Proprietary Product Information that is developed as a result of the collaboration under this Agreement is licensed or transferred by SPI to any SPI Affiliate, licensee or sublicensee for the use outside the Initial Territory, SPI and Takeda shall agree upon a fee payable by SPI to Takeda for such license and use; provided that in the case of any such license or transfer to SPE or SPL, the fee shall be approximately [**] percent ([**]%) of the actual cost incurred to generate such Proprietary Product Information and approximately [**] percent ([**]%) of the actual cost incurred to generate such Proprietary Product Information, respectively. Each such payment of the fee shall be made only once when the Proprietary Product Information in question is used for the first time by SPE or SPL respectively.

5.9 Quids. If, in the future during the term of this Agreement, Takeda decides, in its discretion, to seek a possibility to co-develop and/or co-promote in the Initial Territory a pharmaceutical product originated by or licensed to Takeda, Takeda will consider SPI as a candidate for such co-development and/or co-promotion.

Article 6 MANUFACTURING AND SUPPLY

6.1 Joint Manufacturing Committee.

(a) Within thirty (30) days after the Effective Date, the Parties shall form a Joint Manufacturing Committee ("JMC") to focus on and manage the manufacturing of the Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. The JMC shall be composed of two (2) management representatives appointed by each Party (Such representatives may be management representatives of each Party's Affiliates.), with a rotating chairman each year; the chairman for the first year will be from SPI. All decision of the JMC will be unanimous.

(b) The JMC shall meet, at a minimum, on a quarterly basis, at a location(s) agreed upon by the JMC or by telephone or video conference, provided that any decision made during a meeting is evidenced in a writing signed by one of the members of the JMC from each of the Parties. Each Party shall bear the travel and living expenses of its own personnel to attend any such meetings. The JMC shall keep minutes reflecting actions taken at meetings.

(c) The JMC responsibilities shall include (i) managing and overseeing the manufacturing of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, and (ii) developing and reviewing the Manufacturing Specifications, quality control and assurance plans. In line with Article 3, in the event of any adverse change regarding the manufacturing of the Product, such as material changes in exchange rates, adverse economic conditions or a lack of supply, the JMC and the JSC shall meet to discuss and renegotiate in good faith any manufacturing arrangements regarding the Products.

Article 7 PAYMENTS AND ROYALTIES

7.1 Upfront Payment. Takeda shall pay to SPI Twenty Million United States Dollars (US$20,000,000) within [**] of the Effective Date on a non-refundable basis. The upfront payment hereunder shall be made by a wire transfer to SPI's following bank account.

Name of the bank: Bank of America
Name of the branch: Rockville, Maryland
Account Number: [**]
ABA Number: 026009593
The Name of the Account Holder: Sucampo Pharmaceuticals, Inc.

The foregoing shall apply to all the payment to be made by Takeda hereunder unless SPI notifies Takeda otherwise in writing.

7.2 Milestone Payments. Takeda shall pay SPI the following non-refundable milestone payments upon the attainment of the following milestones for the Product. Such payments shall be made once with respect to each milestone, within [**] after the occurrence of the applicable event:

Event	Amount (U.S. Dollars)
Development	Milestone Payments
NDA filing (when NDA is submitted to FDA) for Constipation indication in U.S.	Ten Million United States Dollars (US$10,000,000)
Phase III entered (the first patient screened) for C-IBS indication in U.S.	Twenty Million United States Dollars (US$20,000,000)

Event	Amount (U.S. Dollars)
NDA approved for Constipation in U.S.	Twenty Million United States Dollars (US$20,000,000)
NDA filing (when NDA is submitted to FDA) for C-IBS in U.S.	[**] United States Dollars (US$[**])
NDA approved for C-IBS in US	[**] United States Dollars (US$[**])
Commercial Launch of Products for OBD or an Additional Indication in U.S.	[**] United States Dollars (US$[**])

The last Development Milestone Payment mentioned above shall be paid only once when the above-mentioned Commercial Launch of Products for OBD or an Additional Indication in U.S. is made for the first time.

Commercial Milestones

Upon reaching Net Sales Revenue in a calendar year of US$[**]	[**] United States Dollars (US$[**])
Upon reaching Net Sales Revenue in a calendar year of US$[**]	[**] United States Dollars (US$[**])

Each Commercial Milestone Payment shall be paid only once when the above-mentioned Net Sales Revenue in the amount of US$[**] or US$[**], respectively, is attained for the first time.

7.3 Running Royalties. In addition to all other amounts payable hereunder, Takeda shall, for the Product sold during the term of this Agreement, pay to SPI within [**] after the end of each calendar quarter the following royalties, in consideration for the license grant to the Licensed Patents, Licensed Know-How and Licensed Trademarks hereunder, on Net Sales Revenue in the Initial Territory, as set forth below.

Tier of a running royalty on an annual Net Sales Revenue

Annual Net Sales Revenue of US$0 up to US$[**]	[**]%
Annual Net Sales Revenue Over US$[**] up to US$[**]	[**]%
Annual Net Sales Revenue Over US$[**] up to US$[**]	[**]%
Annual Net Sales Revenue Over US$[**] up to US$[**]	[**]%
Annual Net Sales Revenue Over US$[**] up to US$[**]	[**]%
Annual Net Sales Revenue Over US$[**]	[**]%

For the avoidance of doubt:

(a) By way of example, if the Net Sales Revenue of the Product in a given calendar year is [**] United States Dollars (US$[**]), then the running royalties to be paid to SPI for such calendar year shall be the total of the following (i), (ii), (iii) and (iv):

(i) [**]% for the part of the Net Sales Revenue up to [**] United States Dollars (US$[**]) (inclusive)

(ii) [**]% for the part of the Net Sales Revenue over [**] United States Dollars (US$[**]) (exclusive) and up to [**] United States Dollars (US$[**]) (inclusive)

(iii) [**]% for the part of the Net Sales Revenue over [**] United States Dollars (US$[**]) (exclusive) and up to [**] United States Dollars (US$[**]) (inclusive)

(iv) [**]% for the remaining part of the Net Sales Revenue

(b) The above-mentioned rates of the running royalties (i.e., [**]%, [**]%, [**]%, [**]%, [**]% and [**]%, respectively) shall apply only with respect to the Net Sales Revenue of the Product Covered by the Valid Claim of the Licensed Patents. With regard to the Product not Covered by any of the Valid Claim of the Licensed Patents, if any, Takeda shall be required to pay to SPI [**] percent ([**]%) of Net Sales Revenue thereof, instead of running royalties at the rates mentioned above, as a consideration for the license under the Licensed Know-How and the Licensed Trademarks.

(c) For the purpose of calculation of the running royalties to be paid to SPI under this Section 7.3 the first calendar quarter and the first calendar year shall be the period from the date of the Commercial Launch till December 31 of the same year irrespective the length of such period.

7.4 Reports. Takeda shall provide to SPI, on or before the date which shall be [**] after the end of each calendar quarter during the term of this Agreement, a report which shall show Net Sales Revenue by Takeda (or, if applicable Takeda Affiliates or its sub-licensee(s)) for such calendar quarter in the Initial Territory and the calculation of the royalties payable. If actual Net Sales Revenue of any sublicensee for that quarter is unavailable at the time such quarterly report is due, Takeda shall include in its report for that quarter a good faith estimate of such Net Sales Revenue, and an appropriate adjustment for the difference between the actual and estimated Net Sales Revenue shall be made in the report for the following quarter, with a corresponding adjustment in the amount of royalties payable in respect of that quarter.

7.5 Exchange Rates. All payments hereunder shall be made in U.S. dollars. For purposes of determining the amount of Net Sales Revenue during any calendar quarter, the total

of all sales in each other currency during such quarter shall be converted into dollars at the rate in effect on the Business Day such currency is converted, as reported by the Wall Street Journal.

7.6 Books and Records. During the term of the Agreement and for [**] thereafter, each Party shall keep accurate and complete records showing all sales of Product by it, its Affiliates and its sublicensees. Such records shall include all information necessary to verify the total amount and computation of earned royalties hereunder, and shall be open to inspection and audit, during reasonable business hours, to the extent necessary to verify the amount of such royalties. Such inspection and audit shall be conducted at the request and expense of the auditing Party by an independent certified public accountant appointed by the auditing Party and reasonably acceptable to the audited Party. In the normal course, such inspection and audit shall be made not more often than once in each calendar year. Such certified public accountant shall undertake a confidentiality obligation to the audited Party, permitting it to disclose to the auditing Party, and only the auditing Party, the amount of the sales, calculation of the Net Sales Revenue, Net Sales Revenue and royalties due hereunder (as applicable). The auditing Party shall bear the costs of any such inspection and audit; provided that if any inspection and audit reveals an underpayment or underreporting of more than five percent (5%), the audited Party shall reimburse the auditing Party for its out-of-pocket costs for such inspection and audit. Further, if there is a dispute between the Parties concerning findings of the audit, the Parties shall discuss and try to resolve, in good faith, such issues at the JCC and the JSC.

7.7 Taxes. All payments to be made pursuant to this Agreement represent net amounts that SPI is entitled to receive and shall not be subject to withholding or deduction for any reason whatever. In the event that such payments become subject to duties, taxes or charges of whatever kind or nature levied by any country other than the United States, such payments shall be increased to such an extent as to allow SPI to receive the net amounts due under this Agreement.

7.8 Payments. Each such payment shall be made in U.S. dollars by wire transfer to the account of the Party receiving same at a bank designated in writing by that Party from time to time. Any overdue amounts hereunder shall bear interest at the rate of eighteen percent (18%) per annum, or the maximum legal interest rate, whichever is lower.

7.9 [**] Running Royalties. [**], the Parties agree to meet in good faith to discuss [**] the running royalty rates.

Article 8 REGULATORY MATTERS

8.1 Drug Approval Applications.

(a) Consistent with the Development Plan and under the direction of the JDC, but subject to the remainder of this Section 8.1, SPI shall be responsible for preparing and filing Drug Approval Applications and seeking Regulatory Approvals for the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, including preparing all reports necessary as part of a Drug Approval Application. All such Drug Approval Applications shall be filed in the name of SPI.

(b) As between Parties, SPI shall be the legal and beneficial owner of all Drug Approval Applications and related approvals for the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

8.2 Adverse Event Reports and PMS. SPI shall be responsible for the reporting of Adverse Experience Data obtained from the clinical trials of the Products conducted by it for the Initial Indications and, if applicable, Additional Indications and/or New Formulations to the Regulatory Authority in the Initial Territory. Takeda shall be responsible for the reporting of Adverse Experience Data obtained from the Post-Marketing Surveillance, Phase IV Studies and any clinical trials conducted by it for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. Each Party shall fully cooperate with each other in all respects to enable the other Party to fulfill its reporting obligations described above. Each Party shall also provide to the other Party complete and accurate copies of all documentation containing Adverse Experience Data relating to the Products, which is prepared or acquired by such Party or any of its respective sublicensees during the term of this Agreement. Copies of such data shall be forwarded by first class mail or faster means of transmission within thirty (30) days after it shall have been prepared or acquired. Copies of Adverse Experience Data shall be forwarded by facsimile or courier as quickly as may be necessary to permit the recipient to comply with any applicable legal requirements and in no event later than the earlier of (i) seven (7) days after such Adverse Experience Data is prepared or acquired, or (ii) prior to the date on which such Adverse Experience Data is provided to any Regulatory Authority. Any information or documentation required to be provided to SPI by Takeda hereunder shall be provided to SPI in English. Within a reasonable time after the Effective Date, the Parties shall execute a detailed Standard Operating Procedure to implement this Section 8.2 appropriately.

8.3 Recalls. If either Party believes that a voluntary recall of a Product is necessary, such Party shall notify and consult with the other Party within one (1) working day of such determination, and both Parties shall cooperate in good faith to determine if such a recall is necessary and, if so, to allow such recall to occur under the direction of the JSC. In the event of a dispute regarding whether or not to recall a Product, the decision of the JSC shall prevail. If the recall decision is made by either Party due to an emergency, for example, (a) relevant Regulatory Authorities instructed, recommended or suggested the recall or (b) in such Party's reasonable judgment, non-implementation of recall may constitute a violation of a relevant law or regulation or (c) non-implementation of recall may court criminal or administrative punishment under a relevant law or regulation or (d) if the mechanism under the foregoing provisions of this Section 8.3 does not work promptly enough to prevent health problems of a consumer, such Party may recall the Product. The cost and expenses for the recall shall be borne by one Party or shared by both Parties, respectively, in accordance with the same rules as provided for in Article 10.

Article 9 REPRESENTATIONS & WARRANTIES

9.1 Mutual Representations. Each Party represents and warrants to the other Party that:

(a) Due Organization. Such Party is a corporation duly organized, validly existing and is in good standing under the laws of the jurisdiction of its incorporation and is qualified to do business in each jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification and failure to have such would prevent it from performing its obligations under this Agreement.

(b) Due Execution. The execution, delivery and performance by such Party of this Agreement have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of its stockholders; (ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it or any provision of its charter or bylaws; or (iii) conflict with or constitute a default under any other agreement to which such Party is a party.

(c) Binding Agreement. This Agreement is a legal, valid and binding obligation of such Party, enforceable against it in accordance with the terms and conditions hereof (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally, and by general principles of equity and by limitation imposed by law and public policy on indemnification or exculpation).

(d) Present Authorizations. Such Party has obtained all authorizations, consents and approvals, governmental or otherwise, necessary for such Party to grant the rights and licenses granted by such Party under this Agreement, and to otherwise perform such Party's obligations under this Agreement.

(e) Conflicting Agreements. Neither such Party nor any of its Affiliates are a party to, or are otherwise bound by, any oral or written contract that will result in any person or entity obtaining any interest in, or that would give to any third party any right to assert any claim in or with respect to, any of such Party's or the other Party's rights under this Agreement nor will either Party undertake any such obligation during the Term.

(f) No Debarment. Neither Party will employ any personnel, and will knowingly use a contractor or consultant, debarred (or a similar sanction) by a Regulatory Authority in the Initial Territory, or who is subject of an FDA or TPDHC debarment investigation or proceeding (or similar proceeding of a regulatory authority in the Initial Territory), in connection with the Development, Commercialization or manufacturing of the Products or the Compound.

(g) Future Authorizations. SPI shall obtain and maintain during the term of this Agreement all authorizations, consents and approvals, governmental or otherwise, necessary for SPI to grant the rights and licenses granted by SPI under this Agreement, and unless expressly stated otherwise in this Agreement, both Parties shall obtain all authorizations, consents and approvals, government or otherwise, necessary for such Party to perform its obligations under this Agreement.

(h) Product Liability Insurance. Each Party shall use its Best Efforts to purchase product liability insurance which sufficiently covers the possible damages and losses of such Party.

9.2 Additional Representations by SPI. SPI represents and warrants to Takeda that:

(a) Preclinical and Clinical Studies. As of the Effective Date, SPI has conducted and has caused its contractors or consultants to conduct its preclinical and clinical studies of Products and manufacturing of Compounds and Products or components thereof, in accordance with Applicable Regulations. As of the Effective Date, neither SPI, nor any officer, employee or agent of SPI, has made an untrue statement of a material fact to any regulatory agency within the Initial Territory with respect to Products (whether in any submission to such regulatory agency or otherwise), or knowingly failed to disclose a material fact required to be disclosed to any regulatory agency in the Initial Territory with respect to the Products.

(b) Development Activities. As of the Effective Date, in the course of its development of Product to SPI's knowledge it has not conducted any development activities in violation of Applicable Regulations, including without limitation applicable cGLP, cGCP, and cGMP. To SPI's knowledge, as of the Effective Date there are no problems that require any development activities by SPI including, but not limited to any and all clinical trials being conducted or already conducted by SPI or a third party on behalf of SPI, all of them being set forth in Exhibit E, to be delayed, suspended or abandoned before its completion for any reason, including, but not limited to, adverse events.

(c) Adverse Events. As of the Effective Date, SPI has disclosed to Takeda any and all adverse events of which SPI has knowledge that occurred during clinical trials (except for any adverse events that may have occurred in ongoing blinded clinical trials that have not been reported to SPI) conducted in any country of the world related to the Products, irrespective of whether or not such adverse events are serious.

(d) No Debarred Individuals. As of the Effective Date, SPI has not employed and, to its knowledge, has not used a contractor or consultant that has employed, any individual or entity debarred by the U.S. or TPDHC, or, to the knowledge of SPI, any individual who or entity which is the subject of a debarment investigation or proceeding (or similar proceeding) of the FDA or TPDHC.

(e) Disclosure. SPI has disclosed to Takeda all information (if any of such information has been superceded by any additional information which has been disclosed to Takeda by SPI, all such information with such supersession) that is material to the Development and Commercialization of the Product, and the information disclosed to Takeda is, in its all material aspects, true and correct. Further, as of the Effective Date, SPI has not recognized any fact which prevents Takeda or SPI from the performance of this Agreement, including without limitation, notice from any third party which alleges, challenges or questions the right of Takeda under this Agreement.

9.3 Takeda Warranties. Takeda hereby represents and warrants to SPI that:

(a) Affiliate and sub-licensee Compliance. All Takeda Affiliates and sub-licensee(s) who obtain a sublicense as permitted hereunder will comply with the terms of this Agreement in connection, and Takeda shall remain responsible for and be a guarantor of the compliance of all Takeda Affiliates and sub-licensee(s).

(b) Maximizing Net Sales Revenue. Takeda shall use its Best Efforts to maximize the Net Sales Revenue for the Products in the Initial Territory.

(c) No Debarred Individuals. As of the Effective Date, Takeda has not employed and, to its knowledge, has not used a contractor or consultant that has employed, any individual or entity debarred by the U.S. or TPDHC, or, to the knowledge of Takeda, any individual who or entity which is the subject of a debarment investigation or proceeding (or similar proceeding) of the FDA or TPDHC.

Article 10 INDEMNIFICATION

10.1 Indemnification by Takeda.

Takeda shall indemnify, defend and hold harmless SPI from and against any and all liabilities, damages, losses, costs or expenses (including reasonable attorneys' and professional fees and other expenses of litigation and/or arbitration) (a "Liability") resulting from a claim, suit or proceeding made or brought by a third party against SPI or its Affiliates arising from or occurring as a result of (i) any breach of the representations and warranties made by Takeda (and, if applicable Takeda Affiliates or its sub-licensee(s)) in Article 9; (ii) negligence of Takeda (and if applicable Takeda Affiliates or its sub-licensees) in conducting any research, development, if conducted by Takeda, Takeda Affiliates or its sub-licensee(s), testing, importation, use, offer for sale, sale or other distribution of any Product by Takeda (or, if applicable Takeda Affiliates or its sub-licensee(s)) (including without limitation, product liability claims); (iii) the Commercialization by Takeda (and, if applicable Takeda Affiliates or its sub-licensee(s)), despite SPI's good faith and commercially reasonable proposal to change the Commercialization Plan or the Commercialization because of the possible illegality of the sales and marketing practice, or as a result of unfair practice or unfair competition which is not within industry standard by Takeda (and, if applicable Takeda Affiliates or its sub-licensee(s)) or (iv) failure of Takeda (and, if applicable Takeda Affiliates or its sub-licensee(s)) to comply with any provision of this Agreement, or with any applicable laws, regulations and/or administrative decisions relating to the Products, except in each case to the extent caused by the negligence or willful misconduct of SPI or its Affiliates.

10.2 Indemnification by SPI.

(a) SPI shall indemnify, defend and hold harmless Takeda from any Liability resulting from a claim, suit or proceeding made or brought by a third party against Takeda arising from or occurring as a result of (i) any breach of the representations and warranties made by SPI in Article 9; (ii) negligence of SPI in conducting any research, development, testing, manufacture, importation, use, offer for sale, sale or other distribution of any Product by SPI or sublicensees (including without limitation, product liability claims) or (iii) failure of SPI or sublicensees to comply with any provision of this Agreement, or with any applicable laws, regulations and/or administrative decisions relating to the Products, except in each case to the extent caused by the negligence or willful misconduct of Takeda, Takeda Affiliates or sub-licensee(s).

(b) Notwithstanding anything herein contained to the contrary, if a product liability claim arises from (i) a design defect or defect in warning of the Product with respect to the Initial Indication or (ii) a delay or non-change of product package insert or labeling of the Product by

SPI despite Takeda's good faith proposal to change them to maintain the safety of the Product, then such liability claim shall be dealt with in accordance with Section 10.2(a).

10.3 The matters not covered by any of Section 10.1 or 10.2. If a product liability claim is made or brought by a third party against either or both Parties but is not covered by Sections 10.1 or 10.2, Takeda shall lead the defense of such claim. In case of such defense, each Party shall bear the cost for its counsel of its own choice. Takeda and SPI shall share any damage and loss by either or both Parties in connection with such product liability claim (but other than the cost for its counsel mentioned in the foregoing sentence) at a ratio of [**] respectively.

10.4 Indemnification Process. In the event that any indemnified Party intends to claim indemnification under this Article 10 it shall promptly notify the other Party (the "indemnifying Party") in writing of such alleged claim. The indemnifying Party shall have the sole right to control the defense and settlement thereof. The indemnified Party shall cooperate with the indemnifying Party and its legal representatives in the investigation of any action, claim or liability covered by this Article 10. The indemnified Party shall not, except at its own cost, voluntarily make any payment or incur any expense with respect to any claim or suit without the prior written consent of the indemnifying Party, which the indemnifying Party shall not be required to give. In addition, the indemnifying Party shall be subrogated to the rights of the indemnified Party against any third party, and such indemnified Party hereby assigns to the indemnifying Party all claims, causes of action and other rights which the indemnified Party may then have against any third party, including Affiliates and sublicensees and, in the case of SPI, against any contract manufacturer of Product, with respect to the claim, suit or proceeding. Conversely, and without in any way limiting the obligation of either Party to indemnify the other Party as herein provided, to the extent that any Party fails to perform its indemnification obligations under this Article 10, such Party owing a duty of indemnification hereby assigns to the other Party all claims, cause of action and other rights which the Party owing such duty may then have against any third party, including Affiliates and sublicensees and, in the case of SPI, against any contract manufacturer of Product, with respect to the claim, suit or proceeding.

Article 11 CONFIDENTIALITY

11.1 Non-Use and Non-Disclosure. Each Party acknowledges and agrees that all the other Party's Confidential Information is confidential and proprietary to the disclosing Party. Each Party shall not use or disclose to any third party the other Party's Confidential Information for any purpose other than as permitted or required hereunder. Each Party shall take the same reasonable measures necessary to prevent any disclosure by its employees, agents, contractors, or consultants of the other Party's Confidential Information as it applies to the protection of its own Confidential Information.

11.2 Exclusions. Information shall not be considered Confidential Information hereunder if it:

(a) was already in the possession of the receiving Party prior to its receipt from the disclosing Party, as shown by the receiving Party's books and records;

(b) is, or becomes, part of the public knowledge or literature through no fault, act or omission of the receiving Party, provided, Proprietary Product Information shall not be deemed to have entered the public domain by reason of its having been filed with any Regulatory Authority;

(c) is, or becomes, available to the receiving Party from a source other than the disclosing Party, which source has rightfully obtained the same information and has no obligation of confidentiality to the disclosing Party with respect to it;

(d) is made available on an unrestricted basis by the disclosing Party to a third party unaffiliated with the disclosing Party; or

(e) is required to be revealed pursuant to law, provided, however, the receiving Party which is under any such requirement of law shall give reasonable notice to the disclosing Party of such requirement and shall cooperate with the disclosing Party in reasonable legal efforts to limit or mitigate any such revelation so as to preserve the proprietary nature of any Confidential Information contained therein.

11.3 Authorized Disclosures. Each Party may disclose Confidential Information hereunder to the extent such disclosure is reasonably necessary in filing or prosecuting patent applications, prosecuting or defending litigation, complying with applicable governmental regulations, obtaining financing from third parties or conducting pre-clinical or clinical trials, provided that if a Party is required by law or regulation to make any such disclosures of the other Party's Confidential Information it will, except where impracticable for necessary disclosures, for example in the event of medical emergency, give reasonable advance notice to the other Party of such disclosure requirement and, except to the extent inappropriate in the case of patent applications, will use its reasonable efforts to secure confidential treatment of such Confidential Information required to be disclosed. In addition, and with prior notice to the other Party of each third party with whom a confidential disclosure agreement is being entered into, each Party shall be entitled to disclose, under a binder of confidentiality containing provisions as protective as those of this Article 11 to any third party for the purpose of carrying out the purposes of this Agreement

11.4 Duration; Surviving Obligation. Each Party's obligations of non-use and non-disclosure of the other Party's Confidential Information shall apply during the term of this Agreement and shall also survive for a period of ten (10) years after its termination for any reason, provided, however, that if this Agreement is terminated earlier than the term set forth in Section 13.1, each party's obligations under this Article11 shall survive ten (10) years after the expiration of the last Valid Licensed Patent.

Article 12 FORCE MAJEURE

12.1 Notice. A Party affected by an event of Force Majeure shall promptly provide the other Party with written notice describing the event, its cause and foreseeable duration, and its possible consequences upon performance under this Agreement.

12.2 Suspension of Performance. After an affected Party has given notice under Section 12.1, that Party shall be relieved of any liability under this Agreement, except for the

obligation to pay amounts due and owing, but only to the extent and only for so long as the Force Majeure prevents performance, provided, however, that the Party so affected shall use reasonable efforts to avoid or remove such causes of non performance. The other Party may likewise suspend the performance of all or part of its obligations, except for the obligation to pay any amounts due and owing, to the extent that such suspension is commercially reasonable.

12.3 Amendment or Termination. If the period of Force Majeure continues for more than one (1) year, the Parties shall meet and discuss whether the Agreement shall be amended or terminated.

Article 13 TERM AND TERMINATION

13.1 Term of Agreement. The term of this Agreement shall commence on the Effective Date and unless earlier terminated in accordance with the provisions of this Article 13 or Section 12.3, shall continue in full force and effect until December 31, 2020.

13.2 Termination for Breach. Either Party shall have the right to terminate this Agreement by written notice to the other Party, if such other Party, including its Affiliates and sub-licensee(s), (the "breaching Party") is in material breach of its obligations under this Agreement and has failed to cure such breach within ninety (90) days after its receipt of written notice thereof from the non-breaching Party, provided that in the case of breach of any obligation to make payment as and when due hereunder, such cure period shall be thirty (30) days.

13.3 Termination for Change of Control. If a Change of Control of either SPI or Takeda occurs (the "Change of Control Party"), then the other Party may request that the Change of Control Party confirms its intent to continue to comply with all of its obligation under this Agreement notwithstanding the Change of Control. If the Change of Control Party does not make such confirmation in writing to the other within thirty (30) Business Days of such request, or if the Change of Control Party subsequently breaches such written confirmation and fails to cure such breach within thirty (30) Business Days, the other Party may (with written notice to the Change of Control Party) immediately terminate this Agreement. If a Change of Control of Takeda occurs, then SPI may (with written notice to Takeda) immediately terminate this Agreement if the surviving entity is developing or is marketing a product that competes with the Products.

13.4 Termination for Bankruptcy. Either Party may terminate this Agreement with written notice to the other Party if SPI, Takeda or Takeda Affiliates become insolvent, enters into a bankruptcy proceeding (either voluntarily or involuntarily) and such proceeding is not dismissed within sixty (60) days, makes an assignment for the benefit of its creditors or otherwise ceases to do business.

13.5 Termination for Failure to Meet Net Sales Revenue. If Takeda (or, if applicable Takeda Affiliates or its sub-licensee(s)) fails to achieve the Net Sales Revenues set forth in Section 5.3, SPI may terminate this Agreement in accordance with the procedure set forth in Section 5.3(b) or 5.3(c).

13.6 Termination for Special Situation. If it has become objectively clear that the NDA approval for C-IBS indication cannot be obtained in the United States, the Parties shall in

good faith discuss and decide how to cope with the situation and whether to continue the Development and Commercialization of the Products under this Agreement. If, despite of such negotiation, both Parties cannot agree upon within a reasonable time to continue this Agreement, then either Party shall have a right to terminate this Agreement forthwith.

13.7 Effect of Termination or Expiration. Upon any termination or expiration of this Agreement, the following provisions shall apply:

(a) Takeda shall not be required to make any payments (including without limitation the Milestone Payments) which have not been incurred by SPI or are not due to SPI on the effective date of such termination.

(b) The licenses granted to Takeda hereunder shall terminate on the effective date of such termination and SPI shall reacquire all rights granted to Takeda under the Article 2; provided, however, that notwithstanding any such termination or expiration, Takeda (or, if applicable Takeda Affiliates or its sub-licensee(s)) shall have the right to sell any remaining inventory of Products in the Initial Territory in the ordinary course of business and subject to the payment of royalties hereunder.

(c) The Parties' respective rights and obligations under Article 7 (Payments and Royalties), 10 (Indemnification), 14 (Limitation of Liability), 15 (Dispute Resolution) and 16 (Miscellaneous) shall survive termination or expiration of this Agreement. The Parties' respective rights and obligations under Article 11 (Confidentiality) shall survive termination or expiration of this Agreement for the period stated therein.

Article 14 LIMITATION OF LIABILITY

14.1 Limitation of Liability. EXCEPT FOR ANY BREACH OF ARTICLE 11 (CONFIDENTIALITY), IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY HEREUNDER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SIMILAR LOSSES OR DAMAGES, EVEN IF SUCH PARTY SHALL HAVE BEEN ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH POTENTIAL LOSS OR DAMAGE. IN ADDITION, SPI AND ITS AFFILIATES SHALL NOT BE LIABLE TO TAKEDA IN THE EVENT THAT AN NDA IS NEVER ISSUED OR GRANTED OR NET SALES REVENUE ARE NEVER ACHIEVED.

Article 15 DISPUTE RESOLUTION

15.1 Negotiation. The Parties agree to consult and negotiate in good faith to try to resolve any dispute, controversy or claim that arises out of or relates to this Agreement. Except as provided in Section 15.2, no formal dispute resolution shall be used by either Party unless and until the chief executive officer of SPI and the chief operating officer of Takeda each Party shall have attempted to meet in person to achieve such an amicable resolution.

15.2 Reservation for Litigation. Notwithstanding Section 15.3 below, each Party expressly reserves the right to seek judicial relief from a court of competent jurisdiction if the other Party is or appears to be in violation of such other Party's obligations of non-use and

non-disclosure under Article 11 above, including, without limitation, any injunction or other preliminary relief.

15.3 Arbitration. Subject to the reservation of the Parties under Section 15.2 above, any dispute, controversy or claim that arises out of or relates to this Agreement that is not resolved under Section 15.1 shall be settled by final and binding arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce ("ICC") in effect on the Effective Date, as modified by Section 15.4 below. Judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. The place of arbitration shall be New York, New York, U.S.A. The arbitration shall be conducted in the English language by three (3) neutral arbitrators, one of which shall be selected by SPI, one of which shall be selected by Takeda and the other shall be selected by mutual agreement of two (2) arbitrators thus selected by the Parties, if that is not possible within thirty (30) days of the initial demand for such arbitration, by the ICC. At least one (1) arbitrator shall have knowledge of and experience in the pharmaceutical industry, and at least one (1) arbitrator shall have knowledge of and experience in international law and technology licensing.

15.4 Special Rules. Notwithstanding any provision to the contrary in the Rules of Arbitration of the ICC, the Parties hereby stipulate that any arbitration hereunder shall be subject to the following special rules: (a) the arbitrators may not award or assess punitive damages against either Party; and (b) each Party shall bear its own costs and expenses of the arbitration and one-half (1/2) of the fees and costs of the arbitrators, subject to the power of the arbitrators, in their sole discretion, to award all such reasonable costs, expenses and fees to the prevailing Party.

15.5 Survival. The duty of the Parties to arbitrate any dispute, controversy or claim under this Article 15 shall survive the termination of this Agreement for any reason.

Article 16 MISCELLANEOUS

16.1 Entire Agreement. This Agreement, including Exhibits attached hereto and incorporated as an integral part of this Agreement, and the Ancillary Agreements constitute the entire agreement of the Parties with respect to the subject matter hereof, and supersede all previous agreements by and between the Parties as well as all proposals, oral or written, and all prior or contemporaneous negotiations, conversations or discussions between the Parties related to this Agreement.

16.2 Relationship. The Parties are independent contractors and shall not be deemed to have formed any partnership, joint venture or other relationship. Neither Party shall make, or represent to any other person that it has the power or authority to make, any financial or other commitment on behalf of the other Party.

16.3 Assignment. Neither Party shall have the right to assign or otherwise transfer its rights and obligations under this Agreement except with the prior written consent of the other Party. This Agreement shall inure to the benefit of the Parties hereto and any permitted assignees. Any prohibited assignment shall be null and void.

16.4 Notices; Language. Except as may be otherwise provided in this Agreement, any notice, demand or request given, made or required to be made shall be in writing and shall be effective, unless otherwise provided herein, when received after delivery by (a) registered air mail, postage prepaid; (b) facsimile with electronic confirmation of receipt; or (c) a reputable international courier such as Federal Express or DHL at the addresses set forth below or to any other address that a Party specifies in writing. All reports, notices and communications required or permitted hereunder shall be in the English language.

If to Takeda:	Takeda Pharmaceutical Company Limited 1-1, Doshomachi 4-chome Chuo-ku, Osaka 540-8645 Japan Facsimile: 81-6-6204-2328 Attention: General Manager, Licensing Department
If to SPI:	Sucampo Pharmaceuticals, Inc. 4733 Bethesda Avenue, Suite 450 Bethesda, Maryland 20814 United States Facsimile: 1-301-961-3440 Attention: Chief Executive Officer

16.5 Governing Law. This Agreement shall be governed by, and interpreted and construed in accordance with, the law of the State of New York, USA, excluding its choice of law rules and the U.N. Convention on the International Sale of Goods.

16.6 Amendment. This Agreement may not be modified or amended, in whole or in part, except by written agreement signed by both Parties.

16.7 Severability. If one or more of the provisions of this Agreement is subsequently declared invalid or unenforceable, this Agreement shall be treated as though that provision were not in this Agreement, and this shall not affect the validity or enforceability of the remaining provisions of this Agreement (unless those provisions that are invalidated or unenforceable are clearly material and inseparable from the other provisions). The Agreement as modified shall be applied and construed to reflect substantially the good faith intent of the Parties and to achieve the economic effects originally intended by the terms hereof.

16.8 Counterparts. This Agreement shall be executed in two or more counterparts, and each such counterpart shall be deemed an original hereof.

16.9 Waiver. No failure by either Party to take any action or assert any right hereunder shall be deemed to be a waiver of such right in the event of the continuation or repetition of the circumstances giving rise to such right.

16.10 Offset. The first Party may offset its payment to be made to the second Party against the payment to be made by the second Party to the first Party, provided that the second Party's payment obligation is due and payable.

16.11 No limitation of damages. No payments or agreements to pay under this Agreement (including those referred to as non-refundable) shall in any way preclude or limit the rights of either Party to seek the full recovery of its damages (subject to the limitations stated in Article 14 of this Agreement), or to seek equitable relief, for breach of this Agreement by the other Party.

16.12 License Status in Bankruptcy. All rights and licenses granted under or pursuant to any section of this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code ("the Bankruptcy Code"), licenses of any rights to "intellectual property" as that term is defined under Section 101(35A) of the Bankruptcy Code. Upon the bankruptcy of any Party or Affiliate thereof, the non-bankrupt Party shall further be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments thereof, and the same, if not already in its possession, shall be promptly delivered to the non-bankrupt Party upon written request therefor, unless the bankrupt Party elects to continue, and continues, to perform all of its obligations under this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the Effective Date.

Takeda Pharmaceutical Company Limited.	Sucampo Pharmaceuticals, Inc.
By /s/ Yasuchika Hasegawa	By /s/ Sachiko Kuno
Name: Yasuchika Hasegawa	Name: Sachiko Kuno, PhD
Title: President and Chief Operating Officer	Title: President and Chief Executive Officer

EXHIBITS

A. Description of Compound

B. Licensed Patents

C. Licensed Trademarks

D. List of Takeda Affiliates

E. List of Pre-clinical and Clinical Trials as of the Effective Date

EXHIBIT A:
Description of Compound

Generic Name:	lubiprostone
Chemical names:	[**]
Code Name:	SPI-0211
CAS No:	136790-76-6

EXHIBIT B:
Licensed Patents

Title	Country	Application No.	Filing Date	Patent No.	Issue Date
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. CA	681031	4/5/1991	5225439	7/6/1993
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. CA	700895	5/13/1991	5166174	11/24/1992
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. DIV	925220	8/6/1992	5284858	2/8/1994
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. DIV	08/53487	4/28/1993	5428062	6/27/1995
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. CA	08/53561	4/28/1993	5380709	1/10/1995
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. DIV2	08/401675	3/10/1995	5886034	3/23/1999
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. DIV3	09/073253	5/6/1998	6265440	7/24/2001
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	Canada	557407	1/26/1988	1323364	10/19/1993
CATHARTICS	U.S.A. CA2	996495	12/30/1992	5317032	5/31/1994
CATHARTICS	Canada	578500	9/27/1988	12312014	12/29/1992
BICYCLIC COMPOUNDS COMPOSITION AND METHOD FOR STABILIZING THE SAME	U.S.A.	09/688351	10/16/2000	6583174	6/24/2003
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
ANTI-CONSTIPATION COMPOSITION	U.S.A.	09/655760	9/5/2000	6414016	7/2/2002
ANTI-CONSTIPATION COMPOSITION	U.S.A. DIV	10/138650	9/5/2000	6610732	8/26/2003
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		

Title	Country	Application No.	Filing Date	Patent No.	Issue Date
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		

* Canada from PCT

** U.S.A. and Canada from PCT

EXHIBIT C:
Licensed Trademarks

AVANILE

ENSUVA

ETREVA

LYTENA

MOTULA

RELOPAN

EXHIBIT D:
List of Takeda Affiliates

Takeda Pharmaceuticals North America, Inc.

EXHIBIT E:
List of Pre-clinical and Clinical Trials as of the Effective Date (Attached)

Exhibit 10.22

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

AGREEMENT

THIS AGREEMENT is made as of October 29, 2004, by and among Sucampo Pharmaceuticals, Inc., a Delaware corporation having its principal place of business at 4733 Bethesda Avenue, Suite 450, Bethesda, Maryland 20814 USA ("SPI"), Takeda Pharmaceutical Company Limited, a corporation organized under the laws of Japan having its principal place of business at 1-1, Doshomachi 4-chome, Chuo-ku, Osaka 540-8645, JAPAN ("Takeda") and Sucampo AG, a corporation organized under the laws of Switzerland and having its principal office at Graben 5, CH-6300 Zug, Switzerland ("SAG") (this "Agreement"). SPI, Takeda and SAG are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

Recitals

WHEREAS, SPI is a United States based pharmaceutical company;

WHEREAS, Takeda is a multinational health care company with research, development and marketing activities worldwide;

WHEREAS, SAG is a Swiss based discovery and intellectual property holding company;

WHEREAS, SPI has obtained and licensed rights to certain patents, patent applications and know-how, and certain data, related to the compound known as SPI-0211, from SAG, and has developed the Product (hereinafter defined) for gastroenterology indications;

WHEREAS, SPI has granted Takeda, in a collaboration and license agreement of even date herewith (the "Collaboration and License Agreement"), an exclusive license to co-develop, use, sell, promote, offer for sale, import and distribute the Product for the gastroenterology indications in the United States and Canada under the Licensed Trademarks (hereinafter defined);

WHEREAS, SAG hereby acknowledges such license granted for Takeda, and the Parties are willing to define certain parameters of their business relationship regarding each Party's intellectual property rights to or in the Product;

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the Parties hereto have agreed as follows:

Article 1 INTRODUCTORY PROVISIONS

1.1 Defined Terms. The following terms, when used in capitalized form in this Agreement, shall have the meanings set forth below:

"Additional Indication(s)" shall mean all Initial Indications, other than Constipation and Constipation-predominant Irritable Bowel Syndrome ("C-IBS").

"Affiliate" shall mean, in relation to a Party, any corporation or entity that, directly or indirectly, controls, is controlled by or is under common control with such Party. For purposes of this definition, the term "control" shall mean the ownership, directly or indirectly, of fifty percent (50%) or more of the voting interest in, or fifty percent (50%) or more of the equity of or the right to appoint fifty percent (50%) or more of the directors or managers of that corporation or other business entity or the power to direct or cause the direction of the management and policies of such corporation or entity, whether pursuant to the ownership of voting securities, by contract or otherwise.

"Best Efforts" shall mean those efforts that would be made by a reasonably prudent business person acting in good faith and in the exercise of reasonable commercial judgment based on acceptable practice, process and speed found in the pharmaceutical industry and taking into account the potential commercial market for the applicable product in the Initial Territory.

"Chief Officer" shall mean the Chief Executive Officer in the case of SPI, the Chief Operating Officer in the case of Takeda and the President in the case of SAG, respectively.

"Collaboration and License Agreement" shall have the meaning set forth in the Recital.

"Commercialization" or "Commercialize" shall mean all activities undertaken pursuant to an approved Commercialization Plan relating to the import, promotion, marketing, detail, storage, handling, offering for sale and sale of a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

"Commercialization Plan" shall mean the written strategy, schedule and plan for the Commercialization of the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory, which shall be developed, modified and approved by SPI and Takeda under the Collaboration and License Agreement.

"Compound" shall mean the active pharmaceutical ingredient known as SPI-0211 or by the USAN name Lubiprostone.

"Confidential Information" shall mean all information, including but not limited to any information on the markets, customers, suppliers, patents or patent applications, inventions, products, procedures, designs, formulas, business plans, financial projections, organizations, employees, consultants or any other similar aspects of a Party's present or future business, the secrecy of which confers a competitive advantage upon that Party. Confidential Information shall include the terms of this Agreement and the Proprietary Product Information.

"Development" or "Develop" shall mean all activities undertaken pursuant to a development plan approved by SPI and Takeda to obtain Regulatory Approval for a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. This includes preclinical studies, including but not limited to toxicology, pharmacology, chemistry manufacturing and control of bulk and finished product and any clinical studies as well as all the process and procedures necessary to obtain Regulatory Approval, including preparation and submission of an NDA and other regulatory application(s).

"Drug Approval Application" shall mean an application for Regulatory Approval, such as an NDA, required to be approved before commercial sale or use of a Product as a drug in a regulatory jurisdiction.

"Effective Date" shall mean the date first above written.

"FDA" shall mean the United States Food and Drug Administration or any successor entity thereto.

"ICC" shall mean the International Chamber of Commerce.

"Initial Indications" shall mean all gastroenterology indications, including but not limited to, Constipation and C-IBS for the Product.

"Initial Territory" shall mean the United States and Canada.

"Licensed Know-How" shall mean all information and data, regardless of form, which is owned by or licensed (with right of sublicense) to SPI as of the Effective Date or at anytime during the term of this Agreement and is necessary or useful to the Development, the Commercialization, use, importation or sale of the Products.

"Licensed Patents" shall mean the following, but limited to those parts relating to the Compound and/or the Product, which are owned by or licensed (with right of sublicense) to SPI covering the use, importation, or sale of the Products: (a) those patents and patent applications listed on Exhibit A hereto and any patents issuing therefrom, (b) any patents and patent applications conceived or reduced to practice during the term of this Agreement and (c) all reissues, continuations, continuations-in-part, extensions and reexaminations of any patent or patent applications referenced above. All matters in any patent, patent application or patent claim not covering the Product or the Compound shall be excluded from the scope of this definition.

"Licensed Trademarks" shall mean the trademark(s) and trade name(s) selected by SPI for use in connection with the Products.

"Marketing Authorization" shall mean (a) for the United States, the approval of an NDA and (b) for any foreign jurisdiction, the approval from the relevant Regulatory Authority to necessary market and sell the Product in that country, including, without limitation, all applicable pricing and government reimbursement approvals.

"NDA" shall mean a new drug license application or supplemental application filed with the FDA or any comparable application filed with a Regulatory Authority in or for Canada to obtain Marketing Authorization for a pharmaceutical product in or for Canada.

"New Formulation(s)" shall mean any formulation of the Product other than the Initial Formulation.

"New Indication(s)" shall mean any indication for the Product other than the Initial Indications, which is subject to Takeda's right of first refusal under the Collaboration and License Agreement.

"New Invention(s)" shall mean all trade secrets, inventions, ideas, processes (including manufacturing processes), methods, data, programs, other works of authorship, know-how, improvements, discoveries, developments, compounds and techniques obtained, developed, conceived or reduced to practice in connection with the Party's carrying out the terms of this Agreement and the Collaboration and License Agreement..

"Party" or "Parties" shall have the meaning set forth in the introductory paragraph.

"Pre-Existing Agreement" shall mean an agreement, between SPI and SAG, under which rights with respect to the Licensed Patents and Licensed Know-How are or have been licensed to SPI for the Initial Territory.

"Product" shall mean any and all pharmaceutical preparation for human use that contains the Compound, a chemical equivalent, a salt, or a prodrug thereof as an active ingredient. "Proprietary Product Information" shall mean (a) all information and data now or hereafter contained in any Drug Approval Application or otherwise submitted in support of any Regulatory Approval to which either Party shall have the right under applicable law, regulations and administrative decisions to refer to, to authorize third parties to refer to and to prohibit third parties from referring to the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory; (b) all data concerning any serious or unexpected adverse events, side effects and contra-indications of the Product which may come to the attention of either Party, its Affiliates or any sublicensee; (c) all data and information in the possession of either Party, its Affiliates or any permitted sublicensee of a Party relating to (i) the pharmacological or toxicological properties of a Product, (ii) pre-clinical or clinical testing and experience in relation to a Product which is not included in any Drug Approval Application and (iii) to the extent reasonably required for purposes of any application for Drug Approval Application, the chemical composition, manufacturing processes and quality control testing of a Product and (d) all other information and data now or hereafter in existence and not in the public domain, which is in the possession of either Party and its Affiliates and which relates in any way to the Development, testing, manufacture, marketing, use or sale of the Products, including, without limitation, all such information or data that is developed as a result of the Development and/or Commercialization of the Products hereunder. Notwithstanding the foregoing, any data and information developed or obtained by a Party or its Affiliates or any sublicensee that is not based upon the other Party's confidential or proprietary information shall not be deemed to be Proprietary Product Information, and, any information which may fall in the scope of the definition of the Proprietary Product Information but which is patentable or patented shall be deemed not to be the Proprietary Product

Information but to be the New Invention.

"Regulatory Approval" shall mean any approvals (including pricing and reimbursement approvals), product and/or establishment licenses, registrations or authorizations of any federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacture, use, storage, importation, marketing, export, transport or sale of a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in a regulatory jurisdiction of the Initial Territory.

"Regulatory Authority" shall mean, in respect of any country, any agency responsible for the issuance of Regulatory Approvals for pharmaceutical products marketed in that country.

"SPI and/or SAG" shall mean both SPI and SAG jointly or, either SPI or SAG as decided mutually between SPI and SAG.

"Sub-Licensee" shall mean the third parties to whom the right to sub-license is granted to Takeda by SPI under the Collaboration and License Agreement and to whom Takeda has actually granted such sublicense.

"Takeda Affiliates" shall mean those Affiliates of Takeda listed on Exhibit C, who are specifically related to this Agreement.

"Third Party License" shall mean a license from a third party in order to make, have made, use, sell or import the Products for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

"TPDHC" shall mean the Therapeutic Products Directorate of Health Canada.

1.2 Other Rules of Interpretation. Unless the context clearly indicates otherwise, the following rules shall govern the interpretation of this Agreement:

(a) The definitions of all terms defined herein shall apply equally to the singular, plural, and possessive forms of such terms.

(b) All references to "Sections," or "Exhibits" shall mean the corresponding Sections of and Exhibits to this Agreement.

Article 2 ACKNOWLEDGEMENT

SAG hereby acknowledges and agrees that (i) SPI has granted Takeda, in Collaboration and License Agreement, an exclusive, non-transferable, limited license, with a right to sublicense Takeda Affiliates, under the Licensed Patents, Licensed Know-How and Licensed Trademarks, to conduct Development and Commercialization of the Products, for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory; (ii) if SPI develops any New Indication(s) for the Products in the Initial Territory, Takeda shall be given the right of first refusal to obtain a license to develop and commercialize the Products for such New

Indication(s) in the Initial Territory; and (iii) except for the right to sublicense to Takeda Affiliates as expressly provided herein, Takeda shall not sublicense, assign or otherwise transfer any of the rights licensed to it hereunder by SPI without prior written consent of SPI, which consent of SPI shall not be unreasonably withheld or delayed.

Article 3 INTELLECTUAL PROPERTY RIGHTS

3.1 Ownership.

(a) SPI and/or SAG shall own all right, title and interest in and to the Licensed Patents, Licensed Know-How and Licensed Trademarks, subject to the licenses granted to Takeda under this Agreement and the Collaboration and License Agreement.

(b) SPI shall own all Proprietary Product Information subject to the following provisions of this Section 3.1 (b). All such Proprietary Product Information thus owned by SPI shall be deemed as a part of the Licensed Know-How under the Collaboration and License Agreement. Takeda, on behalf of itself and all Takeda Affiliates, hereby assigns and transfers to SPI all rights that they have, or may have, in and to such Proprietary Product Information to the extent it is with regard to the Product. Takeda, on behalf of itself and all Takeda Affiliates, agree to take such actions, including executing all documents, as are necessary in order to effectuate the assignment of rights as required in this provision, provided, however, that if Takeda, Takeda Affiliates or its Sub-Licensees need to use the Proprietary Product Information which Takeda or Takeda Affiliates have assigned to SPI hereunder, SPI shall grant Takeda, Takeda Affiliates or its Sub-Licensees a royalty-free license to use such Proprietary Product Information.

(c) Either Party shall own all New Inventions obtained or developed solely by or solely on behalf of such Party or its Affiliates. The New Inventions owned by SPI and/or SAG in accordance with this Article 3(c) shall be included in the Licensed Patents or Licensed Know-How and shall be licensed to Takeda for the purpose of and in accordance with the Collaboration and License Agreement. The New Inventions owned by Takeda in accordance with this Article 3(c) shall be licensed to SPI on a non-exclusive and royalty-free basis with a right to sublicense, to the extent it is with regard to the Compound and/or the Product. If, either Party desires to have a license under the other Party's New Invention beyond the scope mentioned above, the Parties shall in good faith negotiate the terms and conditions for such license.

(d) Any New Inventions obtained or developed jointly by the Parties, as a result of the Parties' collaboration under the Collaboration and License Agreement, shall be owned by SPI and/or SAG, provided, however, that Takeda and its Affiliates (i.e., not only the Takeda Affiliates but also any corporation or entity that, directly or indirectly, controls, is controlled by or is under common control with Takeda in accordance with the definition of the Affiliates) may use such New Invention on a non-exclusive and royalty-free basis with a right to sublicense.

Article 4 PATENT PROSECUTION & MAINTENANCE

SPI and/or SAG shall file, prosecute, acquire and maintain the Licensed Patents and the Licensed Trademarks at their sole expense. SPI and/or SAG shall pursue all possible patent protection for their patentable inventions that are necessary for or useful to the Development, Commercialization and manufacture of the Product for the Initial Indications and, if applicable,

Additional Indications and/or New Formulations in the Initial Territory. If necessary, SPI and SAG shall consult with Takeda regarding the prosecution of all Licensed Patents and patent strategy for the Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory and shall comply with Takeda's requests with regard to the same in furtherance of the goal of obtaining the maximum possible patent protection for the Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

Article 5 ENFORCEMENT

If either Party learns of any infringement or threatened infringement by a third party of the Licensed Patents, Licensed Know-How or Licensed Trademarks, such Party shall promptly notify the other Party and shall provide such other Party with all available evidence of such infringement. SPI and/or SAG shall have the first right, but not the obligation, upon consulting with Takeda, to prosecute any alleged infringement, misappropriation or misuse of the Licensed Patents, Licensed Know-How and/or Licensed Trademarks in the Initial Territory, provided, however, that Takeda may make reasonable requests or recommendation to SPI and/or SAG in connection with any such defense which SPI and/or SAG shall make good faith efforts to comply with, and, further, that Takeda may join such legal action at its own expense through a counsel for its own choice. If SPI and/or SAG decides at any time to commence or continue prosecution of such a legal action jointly with Takeda, SPI and/or SAG shall so notify Takeda in writing, and Takeda shall, with sharing the incurring cost as agreed with SPI and/or SAG at that time, to commence or continue prosecution of such action. If SPI and/or SAG decides at any time not to commence or continue prosecution of such a legal action, SPI and/or SAG shall so notify Takeda in writing, and Takeda shall have the right, in its absolute discretion and sole expense, to commence or continue prosecution of such action. In any such legal action either Party may prosecute or defend under this Article 5, the other Party shall cooperate with and at the request of the Party prosecuting the suit. Any recovery, in excess of the costs and expenses for such action which shall first be compensated to the Party who bore the same, shall be equally shared by the Parties who took such action at their costs and expenses.

Article 6 DEFENSE OF THIRD PARTY CLAIMS

(a) If an allegation to the effect that an activity by a Party with regard to the Product infringes a right of a third party is made to any of the Parties, SPI and/or SAG shall take all possible measures to defend against such allegation at their own expense. Takeda may make reasonable requests or recommendation to SPI and/or SAG in connection with any such defense which SPI and/or SAG shall make good faith efforts to comply with.

(b) If SPI and/ or SAG request, Takeda shall join the said defense of SPI and/or SAG at its own expense through a counsel for its own choice, and further Takeda shall defend itself at its own expense through a counsel for its own choice.

(c) The defending Party shall not have the right to settle such allegation in a manner that would impair the other Party's rights under this Agreement and the Collaboration and License Agreement or require the other Party to make any monetary payments or be subject to an injunction without the prior written consent of the non-defending Party, such consent not to be unreasonably withheld. If, however, by the terms of any settlement or if by a judgment, decree or decision of a court, tribunal or other authority of competent jurisdiction, Takeda is required to obtain a Third Party License, SPI agree to bear [**] of such royalty payments under such Third Party License, provided however, that the amount paid by SPI shall not exceed [**] % of the annual royalties which SPI is receiving each year from Takeda, and provided, further that if there are multiple third parties, the amount paid by SPI shall not exceed [**] % of the annual royalties which SPI is receiving each year from Takeda.

Reasonable lawyer fees and legal costs shall be shared equally between SPI and Takeda.

Article 7 COVENANT NOT TO SUE

Takeda, on behalf of itself, all Takeda Affiliates and Sub-Licensee(s), covenants and agrees that none of Takeda, any Takeda Affiliates and Sub-Licensee(s) will take any action against SPI or any SPI Affiliates related to the Products based on SPI or its Affiliates allegedly being in violation or infringement of any patent, know-how or other intellectual property right owned by or licensed to Takeda, any Takeda Affiliates and Sub-Licensee(s) during the term of this Agreement and to the extent it is with regard to the Product for the Initial Indication.

Article 8 REPRESENTATIONS AND WARRANTIES

8.1 Mutual Representations. Each Party represents and warrants to the other Parties that:

(a) Due Organization. Such Party is a corporation duly organized, validly existing and is in good standing under the laws of the jurisdiction of its incorporation and is qualified to do business in each jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification and failure to have such would prevent it from performing its obligations under this Agreement.

(b) Due Execution. The execution, delivery and performance by such Party of this Agreement have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of its stockholders; (ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it or any provision of its charter or bylaws; or (iii) conflict with or constitute a default under any other agreement to which such Party is a party.

(c) Binding Agreement. This Agreement is a legal, valid and binding obligation of such Party, enforceable against it in accordance with the terms and conditions hereof (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally, and by general principles of equity and by limitation imposed by law and public policy on indemnification or exculpation).

(d) Present Authorizations. Such Party has obtained all authorizations, consents and approvals, governmental or otherwise, necessary for such Party to grant the rights and licenses granted by such Party under this Agreement, and to otherwise perform such Party's obligations under this Agreement.

(e) Conflicting Agreements. Neither such Party nor any of its Affiliates are a party to, or are otherwise bound by, any oral or written contract that will result in any person or entity obtaining any interest in, or that would give to any third party any right to assert any claim in or with respect to, any of such Party's or the other Party's rights under this Agreement nor will either Party undertake any such obligation during the Term.

(f) No Debarment. Neither Party will employ any personnel, and will knowingly use a contractor or consultant, debarred (or a similar sanction) by a Regulatory Authority in the Initial Territory, or who is subject of an FDA or TPDHC debarment investigation or proceeding (or similar proceeding of a regulatory authority in the Initial Territory), in connection with the Development, Commercialization or manufacturing of the Products or the Compound.

(g) Future Authorizations. Unless expressly stated otherwise in this Agreement, all Parties shall obtain all authorizations, consent and approvals, government or otherwise, necessary for such Party to perform its obligations under this Agreement.

(h) Product Liability Insurance. Each Party shall use its best efforts to purchase product liability insurance which sufficiently covers the possible damages and losses of such Party.

8.2 Additional Representations. SPI and SAG jointly and severally represent and warrant to Takeda that:

(a) Pre-Existing Agreements.

(i) Neither SAG nor SPI has previously granted and will grant any rights inconsistent with the rights and licenses granted to Takeda under the Collaboration and License Agreement and acknowledged herein.

(ii) SPI has the full right, power and authority to grant, has been granted any required consents, and is not prohibited by the terms of any agreement to which it is a party from granting, the licenses granted to Takeda under the Collaboration and License Agreement and acknowledged herein.

(iii) As of the Effective Date, there are no existing agreements, options, commitments or rights with, of or to any third party to acquire, or obtain any rights with respect to the Licensed Patents, Licensed Know-How and Licensed Trademarks that would impair the licenses granted to Takeda under the Collaboration and License Agreement and acknowledged herein.

(iv) As of the Effective Date, neither SAG nor SPI has entered into any agreement not to assert any charge of infringement of any intellectual property which would impact its ability to enforce the Licensed Patents, Licensed Know-How and Licensed Trademarks as SAG and/or SPI sees fit.

(v) As of the Effective Date, to the knowledge of SPI and SAG, each agreement between SAG and SPI, and between a third party and SPI, under which rights with respect to the Licensed Patents and Licensed Know-How are or have been licensed to SPI for the Initial Territory (collectively the "Pre-Existing Agreements") is in full force and effect, and to the knowledge of SPI and SAG no party (including SPI and SAG) to such agreements is in breach or default thereunder.

(vi) SAG agrees that in the event of any termination of, other enforcement of the terms and conditions of, or exercise by SAG of its rights under the Pre-Existing Agreements between SAG and SPI, such action shall not result in either a termination of the license granted to Takeda and acknowledged herein, or diminution or impairment of any of rights granted to Takeda and acknowledged herein.

(b) Intellectual Property.

(i) The Licensed Patents, Licensed Trademarks and Licensed Know-How constitute all of the intellectual property that to SAG's or SPI's knowledge (i) is in use or under development for use, in the Development and/or Commercialization of the Products for the Initial Indications in the Initial Territory, or (ii) is necessary for the Development and/or Commercialization of the Products for the Initial Indications in the Initial Territory. The information transferred to Takeda under this Agreement and/or the Collaboration and License Agreement constitutes all information that (a) is in use, or is under development for use, in the Development and/or Commercialization of the Product, or (b) is necessary for the Development or Commercialization of the Product. Any future patents and patent applications owned by or licensed to SPI and/or SAG relating to the Compound and/or the Product for the Initial Indications in the Initial Territory shall be included in the Licensed Patents and granted a right and license under and in accordance with the Collaboration and License Agreement.

(ii) As of the Effective Date, each of SPI and SAG have provided to Takeda all relevant documents in its files for, as well as all other information, to their knowledge, that is material to, the Licensed Patents, Licensed Know-How and Licensed Trademarks, or any information that relates to the patentability or validity of the Licensed Patents, Licensed Know-How and Licensed Trademarks or the freedom to operate thereunder.

(iii) As of the Effective Date, SPI and/or SAG are the legal and beneficial owners or licensees of the Licensed Patents, Licensed Know-How and Licensed Trademarks free and clear of any lien, mortgage, security interest, license, right, pledge, restriction on transferability, charge or encumbrance of any nature whatsoever on or affecting any property or property interest, and to their knowledge, no third party has any right, title or interest in the Licensed Patent Rights, Licensed Know-How and Licensed Trademarks for the Development and Commercialization (but excluding manufacturing rights) of the Products for the Initial Indications in the Initial Territory.

(iv) Exhibit A accurately and completely identifies all Licensed Patents as of the Effective Date. To the knowledge of SPI and/or SAG, as of the Effective Date, (i) the Licensed Patents are valid and enforceable and neither SAG nor SPI has knowledge of any information that may render any of the claim of any Licensed Patents invalid or unenforceable, and (ii) there are no Licensed Patents or similar intellectual property rights of a third party that the Development or Commercialization (excluding manufacturing rights) of Products in the Initial Territory would infringe if Takeda did not have a license thereto.

(v) As of the Effective Date and to the knowledge of SPI and SAG, there are no pending claims, judgments or settlements against or owed by SPI and/or SAG pending nor any reissue, reexamination, interference, opposition or similar proceedings with respect to the Licensed Patents, Licensed Know-How and Licensed Trademarks. As of the Effective Date, neither SAG nor SPI has received notice of any threatened claims or litigation or any reissue, reexamination, interference, opposition or similar proceedings seeking to invalidate or otherwise challenge the Licensed Patents, Licensed Know-How or Licensed Trademark. As of the Effective Date, neither SAG nor SPI has received any notice from any third party which alleges, challenges or questions the right of Takeda to Develop or Commercialize (excluding manufacturing rights) the Products for the Initial Indications in the Initial Territory. During the term of this Agreement, SPI and/or SAG shall promptly notify Takeda in writing upon learning of any such actual or threatened claim, judgment or settlement or notice or the institution of any reissue, reexamination, interference, opposition or similar proceeding.

(vi) As of the Effective Date, to SAG's or SPI's knowledge, there are no third party patent applications which, if issued, would materially adversely affect the right of Takeda to practice under the Licensed Patents.

(vii) There have been no, and SPI and SAG have no reason to believe that there will be any, inventorship challenges with respect to any of the Licensed Patents.

(c) No Debarred Individuals. As of the Effective Date, SPI and/or SAG have not employed and, to their knowledge, have not used a contractor or consultant that has employed, any individual or entity debarred by the U.S. or TPDHC, or, to the knowledge of SPI and/or SAG, any individual who or entity which is the subject of a debarment investigation or proceeding (or similar proceeding) of the FDA or TPDHC.

8.3 Takeda Warranties. Takeda hereby represents and warrants to SPI and SAG that:

(a) Affiliate and Sub-Licensee Compliance. All Takeda Affiliates and Sub-Licensee(s) who obtain a sublicense as permitted hereunder will comply with the terms of this Agreement in connection, and Takeda shall remain responsible for and be a guarantor of the compliance of all Takeda Affiliates and Sub-Licensee(s).

(b) Maximizing Net Sales Revenue. Takeda shall use its Best Efforts to maximize the Net Sales Revenue for the Products in the Initial Territory.

(c) No Debarred Individuals. As of the Effective Date, Takeda has not employed and, to its knowledge, has not used a contractor or consultant that has employed, any individual or entity debarred by the U.S. or TPDHC, or, to the knowledge of Takeda, any individual who or entity which is the subject of a debarment investigation or proceeding (or similar proceeding) of the FDA or TPDHC.

(d) Assignment of Proprietary Product Information. Takeda has all rights necessary to assign, transfer and license the Proprietary Product Information to SPI as required in Section 3.1(b).

Article 9 INDEMNIFICATION

9.1 Indemnification by Takeda.

Takeda shall indemnify, defend and hold harmless SPI and SAG from and against any and all liabilities, damages, losses, costs or expenses (including reasonable attorneys' and professional fees and other expenses of litigation and/or arbitration) (a "Liability") resulting from a claim, suit or proceeding made or brought by a third party against SPI, SAG or its Affiliates arising from or occurring as a result of (i) any breach of the representations and warranties made by Takeda (and, if applicable Takeda Affiliates or its Sub-Licensee(s)) in Article 8; (ii) negligence of Takeda (and, if applicable, Takeda Affiliates or its Sub-Licensee(s)) in conducting any research, development, if conducted by Takeda, Takeda Affiliates or its Sub-Licensee(s), testing, importation, use, offer for sale, sale or other distribution of any Product by Takeda (or, if applicable Takeda Affiliates or its Sub-Licensee(s)) (including without limitation, product liability claims), (iii) the Commercialization by Takeda (and, if applicable Takeda Affiliates or its Sub-Licensee(s)), despite SPI's good faith proposal to change the Commercialization Plan or the Commercialization because of the possible illegality of the sales and marketing practice, or as a result of unfair practice or unfair competition which is not within industry standard by Takeda (and, if applicable Takeda Affiliates or its Sub-Licensee(s)), or (iv) failure of Takeda (and, if applicable Takeda Affiliates or its Sub-Licensee(s)) to comply with any provision of this Agreement, or with any applicable laws, regulations and/or administrative decisions relating to the Products, except in each case to the extent caused by the negligence or willful misconduct of SPI, SAG or its Affiliates.

9.2 Indemnification by SPI and/or SAG.

SPI and/or SAG shall indemnify, defend and hold harmless Takeda (and, if applicable, Takeda Affiliates or its Sub-Licensee(s)) from any Liability resulting from a claim, suit or proceeding made or brought by a third party against Takeda (and, if applicable, Takeda Affiliates or its Sub-Licensee(s)) arising from or occurring as a result of (i) any breach of the representations and warranties made by SPI and SAG in Article 8; or (ii) failure of SPI and/or SAG to comply with any provision of this Agreement, or with any applicable laws, regulations and/or administrative decisions relating to the Products, except in each case to the extent caused by the negligence or willful misconduct of Takeda, Takeda Affiliates or Sub-Licensee(s).

9.3 The matters not covered by any of Section 9.1 or 9.2.

If a product liability claim is made or brought by a third party against either or both Parties but is not covered by Sections 9.1 or 9.2, the SPI and Takeda (or, if applicable, the Sub-Licensee(s)) shall share any damage, loss and cost incurred by either or both Parties in connection with such product liability claim in accordance with the Collaboration and License Agreement.

9.4 Indemnification Process.

In the event that any indemnified Party intends to claim indemnification under this Article 9 it shall promptly notify the other Party (the "indemnifying Party") in writing of such alleged

claim. The indemnifying Party shall have the sole right to control the defense and settlement thereof. The indemnified Party shall cooperate with the indemnifying Party and its legal representatives in the investigation of any action, claim or liability covered by this Article 9. The indemnified Party shall not, except at its own cost, voluntarily make any payment or incur any expense with respect to any claim or suit without the prior written consent of the indemnifying Party, which the indemnifying Party shall not be required to give. In addition, the indemnifying Party shall be subrogated to the rights of the indemnified Party against any third party, and such indemnified Party hereby assigns to the indemnifying Party all claims, causes of action and other rights which the indemnified Party may then have against any third party, including Affiliates and Sub-Licensees and, in the case of SPI, against any contract manufacturer of Product, with respect to the claim, suit or proceeding. Conversely, and without in any way limiting the obligation of either Party to indemnify the other Party as herein provided, to the extent that any Party fails to perform its indemnification obligations under this Article 9, such Party owing a duty of indemnification hereby assigns to the other Party all claims, cause of action and other rights which the Party owing such duty may then have against any third party, including Affiliates and sublicensees and, in the case of SPI, against any contract manufacturer of Product, with respect to the claim, suit or proceeding. For the avoidance of doubt, in relation to the indemnification, SPI and SAG shall jointly and severally responsible to Takeda.

Article 10. CONFIDENTIALITY

10.1 Non-Use and Non-Disclosure.

Each Party acknowledges and agrees that all the other Party's Confidential Information is confidential and proprietary to the disclosing Party. Each Party shall not use or disclose to any third party the other Party's Confidential Information for any purpose other than as permitted or required hereunder. Each Party shall take the same reasonable measures necessary to prevent any disclosure by its employees, agents, contractors, or consultants of the other Party's Confidential Information as it applies to the protection of its own Confidential Information.

10.2 Exclusions.

Information shall not be considered Confidential Information hereunder if it:

(a) was already in the possession of the receiving Party prior to its receipt from the disclosing Party, as shown by the receiving Party's books and records;

(b) is, or becomes, part of the public knowledge or literature through no fault, act or omission of the receiving Party, provided, Proprietary Product Information shall not be deemed to have entered the public domain by reason of its having been filed with any Regulatory Authority;

(c) is, or becomes, available to the receiving Party from a source other than the disclosing Party, which source has rightfully obtained the same information and has no obligation of confidentiality to the disclosing Party with respect to it;

(d) is made available on an unrestricted basis by the disclosing Party to a third Party unaffiliated with the disclosing Party; or

(e) is required to be revealed pursuant to law, provided, however, the receiving Party which is under any such requirement of law shall give reasonable notice to the disclosing Party of such requirement and shall cooperate with the disclosing Party in reasonable legal efforts to limit or mitigate any such revelation so as to preserve the proprietary nature of any Confidential Information contained therein.

10.3 Authorized Disclosures.

Each Party may disclose Confidential Information hereunder to the extent such disclosure is reasonably necessary in filing or prosecuting patent applications, prosecuting or defending litigation, complying with applicable governmental regulations, obtaining financing from third parties or conducting pre-clinical or clinical trials, provided that if a Party is required by law or regulation to make any such disclosures of the other Party's Confidential Information it will, except where impracticable for necessary disclosures, for example in the event of medical emergency, give reasonable advance notice to the other Party of such disclosure requirement and, except to the extent inappropriate in the case of patent applications, will use its reasonable efforts to secure confidential treatment of such Confidential Information required to be disclosed. In addition, and with prior notice to the other Party of each third party with whom a confidential disclosure agreement is being entered into, each Party shall be entitled to disclose, under a binder of confidentiality containing provisions as protective as those of this Article 10 to any third party for the purpose of carrying out the purposes of this Agreement

10.4 Duration; Surviving Obligation.

Each Party's obligations of non-use and non-disclosure of the other Party's Confidential Information shall apply during the term of this Agreement and shall also survive for a period of ten (10) years after its termination for any reason, provided, however, that, if this Agreement is terminated earlier than the term set forth in Article 12, each Party's obligations shall survive ten (10) years after the expiration of the last valid Licensed Patent.

Article 11 FORCE MAJEURE

11.1 Notice. "Force Majeure" shall mean any event, not existing as of the Effective Date and not reasonably within the control of the Parties as of such date, which, in whole or in material part, prevents or makes commercially unreasonable one Party's performance of its obligations (except payment obligations) under this Agreement. Force Majeure shall include, without limitation: fire, storm, earthquake, flood, acts of State or other governmental action, war or civil unrest, strikes, and prolonged shortage of energy or any other supplies. A Party affected by an event of Force Majeure shall promptly provide the other Party with written notice describing the event, its cause and foreseeable duration, and its possible consequences upon performance under this Agreement.

11.2 Suspension of Performance. After an affected Party has given notice under Section 11.1, that Party shall be relieved of any liability under this Agreement, except for the obligation to pay amounts due and owing, but only to the extent and only for so long as the Force Majeure prevents performance, provided, however, that the Party so affected shall use reasonable efforts to

avoid or remove such causes of non performance. The other Party may likewise suspend the performance of all or part of its obligations, except for the obligation to pay any amounts due and owing, to the extent that such suspension is commercially reasonable.

11.3 Amendment or Termination. If the period of Force Majeure continues for more than one (1) year, the Parties shall meet and discuss whether the Agreement shall be amended or terminated.

Article 12 TERM AND TERMINATION

(a) The term of this Agreement shall commence on the Effective Date and shall continue in full force and effect until December 31, 2020. SAG hereby acknowledges and agrees that this Agreement may be terminated earlier than said termination date in case the Collaboration and License Agreement terminates, in that case which SPI and Takeda shall use commercially reasonable efforts to give SAG a prior notice of such early termination. SAG shall accept such early termination upon receiving the notice from SPI and Takeda.

(b) The Parties' respective rights and obligations under Article 9 (Indemnification), 13 (Limitation of Liability), 14 (Dispute Resolution) and 15 (Miscellaneous) shall survive termination or expiration of this Agreement. The Parties' respective rights and obligations under Article 10 (Confidentiality) shall survive termination or expiration of this Agreement for the period stated therein.

Article 13 LIMITATION OF LIABILITY

EXCEPT FOR ANY BREACH OF ARTICLE 10 (CONFIDENTIALITY), IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY HEREUNDER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SIMILAR LOSSES OR DAMAGES, EVEN IF SUCH PARTY SHALL HAVE BEEN ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH POTENTIAL LOSS OR DAMAGE. IN ADDITION, SPI AND ITS AFFILIATES SHALL NOT BE LIABLE TO TAKEDA IN THE EVENT THAT AN NDA IS NEVER ISSUED OR GRANTED OR NET SALES REVENUE ARE NEVER ACHIEVED.

Article 14 DISPUTE RESOLUTION

14.1 Negotiation.

The Parties agree to consult and negotiate in good faith to try to resolve any dispute, controversy or claim that arises out of or relates to this Agreement. Except as provided in Section 14.2, no formal dispute resolution shall be used by either Party unless and until the Chief Officers of each Party shall have attempted to meet in person to achieve such an amicable resolution. SAG as well as SPI agrees that SPI represents SAG in such dispute resolution process set herein under Article 14.

14.2 Reservation for Litigation.

Notwithstanding Section 14.3 below, each Party expressly reserves the right to seek judicial relief from a court of competent jurisdiction if the other Party is or appears to be in violation of such other Party's obligations of non-use and non-disclosure under Article 10 above, including, without limitation, any injunction or other preliminary relief.

14.3 Arbitration.

Subject to the reservation of the Parties under Section 14.2 above, any dispute, controversy or claim that arises out of or relates to this Agreement that is not resolved between or among the Parties hereto under Section 14.1 shall be settled by final and binding arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce ("ICC") in effect on the Effective Date, as modified by Section 14.4 below. Judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. The place of arbitration shall be New York, New York, U.S.A. The arbitration shall be conducted in the English language by three (3) neutral arbitrators selected as follows: (i) if the arbitration is held between two (2) of the Parties, one of the arbitrators will be selected by one (1) of the relevant two (2) Parties, one of the arbitrators will be selected by the remaining one (1) of the relevant two (2) Parties, and the other will be selected by mutual agreement of two (2) arbitrators thus selected by the relevant two (2) Parties or, if that is not possible within thirty (30) days of the initial demand for such arbitration, by the ICC; and (ii) if the arbitration is held among all of the Parties, one (1) of the arbitrators will be selected by SPI and RTU, one of the arbitrators will be selected by Takeda, and the other will be selected by mutual agreement of the two (2) arbitrators thus selected by the Parties or, if that is not possible within thirty (30) days of the initial demand for such arbitration, by the ICC. At least one (1) arbitrator shall have knowledge of and experience in the pharmaceutical industry, and at least one (1) arbitrator shall have knowledge of and experience in international law and technology licensing. Notwithstanding anything to the contrary contained herein, if an arbitration is held only between two (2) of the Parties, the rights and obligations of the remaining one (1) Party under this Agreement and/or Supply and Purchase Agreement shall not be modified, changed or influenced in any way.

14.4 Special Rules.

Notwithstanding any provision to the contrary in the Rules of Arbitration of the ICC, the Parties hereby stipulate that any arbitration hereunder shall be subject to the following special rules: (a) the arbitrators may not award or assess punitive damages against either Party; and (b) relevant Parties among SPI, SAG, and/or Takeda shall bear their own costs and expenses of the arbitration and shall equally share the fees and costs of the arbitrators, subject to the power of the arbitrators, in their sole discretion, to award all such reasonable costs, expenses and fees to the prevailing Party (or Parties).

14.5 Survival.

The duty of the Parties to arbitrate any dispute, controversy or claim under this Article 14 shall survive the termination of this Agreement for any reason.

Article 15 MISCELLANEOUS

15.1 Entire Agreement.

This Agreement, including Exhibits attached hereto and incorporated as an integral part of this Agreement, constitutes the entire agreement of the Parties with respect to the subject matter hereof, and supersede all previous agreements by and among three Parties as well as all proposals, oral or written, and all prior or contemporaneous negotiations, conversations or discussions among the Parties related to this Agreement.

15.2 Relationship.

The Parties are independent contractors and shall not be deemed to have formed any partnership, joint venture or other relationship. Neither Party shall make, or represent to any other person that it has the power or authority to make, any financial or other commitment on behalf of the other Party.

15.3 Assignment.

Neither Party shall have the right to assign or otherwise transfer its rights and obligations under this Agreement except with the prior written consent of the other Party. This Agreement shall inure to the benefit of the Parties hereto and any permitted assignees. Any prohibited assignment shall be null and void.

15.4 Notices; Language.

Except as may be otherwise provided in this Agreement, any notice, demand or request given, made or required to be made shall be in writing and shall be effective, unless otherwise provided herein, when received after delivery by (a) registered air mail, postage prepaid; (b) facsimile with electronic confirmation of receipt; or (c) a reputable international courier such as Federal Express or DHL at the addresses set forth below or to any other address that a Party specifies in writing. All reports, notices and communications required or permitted hereunder shall be in the English language.

If to Takeda:

Takeda Pharmaceutical Company Limited
1-1, Doshomachi 4-chome
Chuo-ku, Osaka 540-8645 Japan

Facsimile: 81-6-6204-2328
Attention: General Manager, Licensing Department

If to SPI:

Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue, Suite 450
Bethesda, Maryland 20814
United States

Facsimile:1-301-961-3440
Attention: Chief Executive Officer

If to SAG:

Sucampo AG
Graben 5
CH-6300 Zug
Switzerland

Facsimile: 41-1-252-98-04
Attention: Director, Dr. Eric Buis

15.5 Governing Law.

This Agreement shall be governed by, and interpreted and construed in accordance with, the law of the State of New York, USA, excluding its choice of law rules and the U.N. Convention on the International Sale of Goods.

15.6 Amendment.

This Agreement may not be modified or amended, in whole or in part, except by written agreement signed by all Parties.

15.7 Severability.

If one or more of the provisions of this Agreement is subsequently declared invalid or unenforceable, this Agreement shall be treated as though that provision were not in this Agreement, and this shall not affect the validity or enforceability of the remaining provisions of this Agreement (unless those provisions that are invalidated or unenforceable are clearly material and inseparable from the other provisions). The Agreement as modified shall be applied and construed to reflect substantially the good faith intent of the Parties and to achieve the economic effects originally intended by the terms hereof.

15.8 Counterparts.

This Agreement shall be executed in three or more counterparts , and each such counterpart shall be deemed an original hereof.

15.9 Waiver.

No failure by either Party to take any action or assert any right hereunder shall be deemed to be a waiver of such right in the event of the continuation or repetition of the circumstances giving rise to such right.

15.10 No Limitation of Damages.

No payments or agreements to pay under this Agreement shall in any way preclude or limit the rights of either Party to seek the full recovery of its damages (subject to the limitations stated in this Agreement), or to seek equitable relief, for breach of this Agreement by the other Party.

15.11 License Status in Bankruptcy.

All rights and licenses granted under or pursuant to any section of this Agreement and the Collaboration and License Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code ("the Bankruptcy Code"), licenses of any rights to "intellectual property" as that term is defined under Section 101(35A) of the Bankruptcy Code. Upon the bankruptcy of any Party or Affiliate thereof, the non-bankrupt Party shall further be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments thereof, and the same, if not already in its possession, shall be promptly delivered to the non-bankrupt Party upon written request therefor, unless the bankrupt Party elects to continue, and continues, to perform all of its obligations under this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the Effective Date

TAKEDA PHARMACEUTICAL COMPANY LIMITED

/s/ Yasuchika Hasegawa
By: Yasuchika Hasegawa
Its President and Chief Operating Officer

SUCAMPO PHARMACEUTICAL, INC.

/s/ Sachiko Kuno
By: Sachiko Kuno, PhD
Its President and Chief Executive Officer

SUCAMPO AG

/s/ Ryuji Ueno
By: Ryuji Ueno
Its Director

/s/ Misako Nakata
By: Misako Nakata
Its Director

EXHIBIT A:
Licensed Patents

Title	Country	Application No.	Filing Date	Patent No.	Issue Date
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. CA	681031	4/5/1991	5225439	7/6/1993
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. CA	700895	5/13/1991	5166174	11/24/1992
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. DIV	925220	8/6/1992	5284858	2/8/1994
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. DIV	08/53487	4/28/1993	5428062	6/27/1995
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. CA	08/53561	4/28/1993	5380709	1/10/1995
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. DIV2	08/401675	3/10/1995	5886034	3/23/1999
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	U.S.A. DIV3	09/073253	5/6/1998	6265440	7/24/2001
PROSTAGLANDINS E AND ANTI ULCERS CONTAINING SAME	Canada	557407	1/26/1988	1323364	10/19/1993
CATHARTICS	U.S.A. CA2	996495	12/30/1992	5317032	5/31/1994
CATHARTICS	Canada	578500	9/27/1988	12312014	12/29/1992
BICYCLIC COMPOUNDS COMPOSITION AND METHOD FOR STABILIZING THE SAME	U.S.A.	09/688351	10/16/2000	6583174	6/24/2003
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
ANTI-CONSTIPATION COMPOSITION	U.S.A.	09/655760	9/5/2000	6414016	7/2/2002
ANTI-CONSTIPATION COMPOSITION	U.S.A. DIV	10/138650	9/5/2000	6610732	8/26/2003
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		

Title	Country	Application No.	Filing Date	Patent No.	Issue Date
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		
[**]	[**]	[**]	[**]		

* Canada from PCT

** U.S.A. and Canada from PCT

EXHIBIT B

List of Takeda Affiliates

Takeda Pharmaceuticals North America, Inc.

Exhibit 10.23

Confidential Materials omitted and filed separately with the

Securities and Exchange Commission. Asterisks denote omissions.

SUPPLY AGREEMENT

THIS SUPPLY AGREEMENT is made as of October 29, 2004, by and among Sucampo Pharmaceuticals, Inc., a Delaware corporation having its principal place of business at 4733 Bethesda Avenue, Suite 450, Bethesda, Maryland 20814 USA ("SPI"), Takeda Pharmaceutical Company Limited, a corporation organized under the laws of Japan having its principal place of business at 1-1, Doshomachi 4-chome, Chuo-ku, Osaka 540-8645, JAPAN ("Takeda") and R-Tech Ueno, Ltd., a corporation organized under the laws of Japan having its principal place of business at 10F, Yamato Life Insurance Bldg., 1-1-7 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, JAPAN ("RTU") (this "Agreement"). SPI, Takeda and RTU are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

Recitals

WHEREAS, SPI is a United States based pharmaceutical company;

WHEREAS, Takeda is a multinational health care company with research, development, manufacturing and marketing activities worldwide;

WHEREAS, RTU is a Japanese pharmaceutical company with research, development, manufacturing and marketing activities;

WHEREAS, Takeda has obtained from SPI an exclusive license to co-develop, use, sell, promote, offer for sale, import and distribute the Product (hereinafter defined) for the gastroenterology indications in the United States and Canada under the Licensed Trademarks (hereinafter defined) under a collaboration and license agreement of even date herewith (the "Collaboration and License Agreement");

WHEREAS, prior to the grant of such license from SPI to Takeda, SPI has appointed RTU as the exclusive contract manufacturer to manufacture and supply the Product for clinical and commercial purposes in the United States and Canada;

WHEREAS, each Party desires to define in this Agreement certain parameters of their business relationship regarding each Party's rights and obligations to or in manufacturing and supply of the Compound (hereinafter defined) and Product;

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the Parties hereto have agreed as follows:

Article 1 INTRODUCTORY PROVISIONS

1.1 Defined Terms. The following terms, when used in capitalized form in this Agreement, shall have the meanings set forth below:

“Additional Indication(s)” shall mean all Initial Indications, other than Constipation and Constipation-predominant Irritable Bowel Syndrome (“C-IBS”).

“Affiliate” shall mean, in relation to a Party, any corporation or entity that, directly or indirectly, controls, is controlled by or is under common control with such Party. For purposes of this definition, the term “control” shall mean the ownership, directly or indirectly, of fifty percent (50%) or more of the voting interest in, or fifty percent (50%) or more of the equity of or the right to appoint fifty percent (50%) or more of the directors or managers of that corporation or other business entity or the power to direct or cause the direction of the management and policies of such corporation or entity, whether pursuant to the ownership of voting securities, by contract or otherwise.

“Applicable Regulations” means all statutes, laws and regulations applicable to the development, manufacture and testing of pharmaceutical materials in effect at a particular time and promulgated by the FDA or any other Regulatory Authority, including without limitation current good laboratory practices (“cGLP”), current good clinical practices (“cGCP”), current good manufacturing and control practices (“cGMP”) and quality system regulations (“QSR”), and any successor or replacement statues, laws and regulations.

“Best Efforts” shall mean those efforts that would be made by a reasonably prudent business person acting in good faith and in the exercise of reasonable commercial judgment based on acceptable practice, process and speed found in the pharmaceutical industry and taking into account the potential commercial market for the applicable product in the Initial Territory.

“Chief Officer” shall mean chief executive officer in the case of SPI, chief operating officer in the case of Takeda and Representative Director in the case of RTU.

“Collaboration and License Agreement” shall have the meaning set forth in the Recital.

“Commercial Launch” shall mean the date of first sale of a Product in any country of the Initial Territory for any indication.

“Commercialization” or “Commercialize” shall mean all activities undertaken pursuant to an approved commercialization plan relating to the import, promotion, marketing, detail, storage, handling, offering for sale and sale of a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory.

“Compound” shall mean the active pharmaceutical ingredient known as SPI-0211 or by the USAN name Lubiprostone, as further described in Exhibit A.

“Confidential Information” shall mean all information, including but not limited to any information on the markets, customers, suppliers, patents or patent applications, inventions, products, procedures, designs, formulas, business plans, financial projections, organizations,

employees, consultants or any other similar aspects of a Party's present or future business, the secrecy of which confers a competitive advantage upon that Party. Confidential Information shall include the terms of this Agreement and the Proprietary Product Information.

"Development" or "Develop" shall mean all activities undertaken pursuant to an approved development plan to obtain Regulatory Approval for a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory. This includes preclinical studies, including but not limited to toxicology, pharmacology, chemistry manufacturing and control of bulk and finished product and any clinical studies as well as all the process and procedures necessary to obtain Regulatory Approval, including preparation and submission of an NDA and other regulatory application(s).

"Drug Approval Application" shall mean an application for Regulatory Approval, such as an NDA, required to be approved before commercial sale or use of a Product as a drug in a regulatory jurisdiction.

"Effective Date" shall mean the date first above written.

"Exchange Rate" shall mean the rate of One United States dollars equals to One Hundred Ten JPY (US$1.00 = JPY110.00); provided, however, that, if the exchange rate between United States and JPY as of the Effective Date, as reported by the Wall Street Journal, fluctuates from the above-mentioned rate (i.e., US$1.00 = JPY110.00) by Four JPY (JPY4.00) or more, then the Exchange Rate shall be the medium of the rate of US$1.00 = JPY110.00 and the rate so reported by the Wall Street Journal. By way of example, if the exchange rate so reported by the Wall Street Journal at the Effective Date is US$1.00 = JPY105.00, then the Exchange Rate shall be US$1.00 = JPY107.50 (instead of US$1.00 = JPY110.00).

"FDA" shall mean the United States Food and Drug Administration or any successor entity thereto.

"Force Majeure" shall mean any event, not existing as of the Effective Date and not reasonably within the control of the Parties as of such date, which, in whole or in material part, prevents or makes commercially unreasonable one Party's performance of its obligations (except payment obligations) under this Agreement. Force Majeure shall include, without limitation: fire, storm, earthquake, flood, acts of State or other governmental action, war or civil unrest, strikes, and prolonged shortage of energy or any other supplies.

"GAAP" shall mean generally accepted accounting principles current in the United States.

"ICC" shall have the meaning set forth in Section 12.3.

"Initial Indications" shall mean all gastroenterology indications, including but not limited to, Constipation and C-IBS for the Product.

"Initial Territory" shall mean the United States and Canada.

"JPY" shall mean Japanese Yen.

“Liability” shall have the meaning set forth in Section 7.1.

“Licensed Trademarks” shall mean the trademark(s) and tradename(s) selected by SPI for use in connection with the Products.

“Manufacturing and Supply Agreement” shall have the meaning set forth in Article 2.

“Manufacturing Specification(s)” shall mean the commercial specification for the manufacturing, quality control, packaging, labeling, shipping, delivery and storage of the Product as set forth in a Drug Approval Application and/or in the specification agreed upon in accordance with this Agreement and/or the Supply and Purchase Agreement.

“Marketing Authorization” shall mean (a) for the United States, the approval of an NDA and (b) for Canada, the approval from the relevant Regulatory Authority to necessary market and sell the Product in Canada, including, without limitation, all applicable pricing and government reimbursement approvals.

“NDA” shall mean a new drug license application or supplemental application filed with the FDA or any comparable application filed with a Regulatory Authority in or for Canada to obtain Marketing Authorization for a pharmaceutical product in or for Canada.

“Net Sales Revenue” shall mean the gross invoiced sales of the Product by Takeda, Takeda Affiliates and/or its sub-licensee to a third party, less a deduction for any amounts actually incurred by Takeda, Takeda Affiliates and/or its sub-licensee for any of the following items to the extent such items specifically relate to sale of the Product and are incurred by Takeda, Takeda Affiliates and/or its sub-licensee in the normal course of business, provided that the total deductions for any particular sale shall not exceed [**] percent ([**]%) of the gross invoiced amount of such sale of the Product:

(a) credits, price adjustments or allowances for damaged products, returns or rejections of the Product;

(b) normal and customary trade, cash and quantity discounts, allowances and credits;

(c) chargeback payments and rebates granted to group purchasing organizations, managed health care organizations or to federal, state/provincial, local and other governments, including their agencies;

(d) sales, excise taxes (to the extend not refundable in accordance with applicable law) and other taxes directly related to the sale (but not including taxes assessed against the income derived from such sale); and

(e) any freight charges, including postage, shipping, insurance and transportation.

Such amounts shall be determined from the books and records of Takeda maintained in accordance with GAAP consistently applied.

“New Formulation(s)” shall mean any formulation of the Product other than the Initial Formulation.

“Party” or “Parties” shall have the meaning set forth in the introductory paragraph.

“Product” shall mean any and all pharmaceutical preparation for human use that contains the Compound, a chemical equivalent, a salt, or a prodrug thereof as an active ingredient.

“Proprietary Product Information” shall mean (a) all information and data now or hereafter contained in any Drug Approval Application or otherwise submitted in support of any Regulatory Approval to which either Party shall have the right under applicable law, regulations and administrative decisions to refer to, to authorize third parties to refer to and to prohibit third parties from referring to the Initial Indications and, if applicable, Additional Indications and/or New Formulations in the Initial Territory; (b) all data concerning any serious or unexpected adverse events, side effects and contra-indications of the Product which may come to the attention of either Party, its Affiliates or any sublicensee; (c) all data and information in the possession of either Party or any permitted sublicensee of a Party relating to (i) the pharmacological or toxicological properties of a Product, (ii) pre-clinical or clinical testing and experience in relation to a Product which is not included in any Drug Approval Application and (iii) to the extent reasonably required for purposes of any application for Drug Approval Application, the chemical composition, manufacturing processes and quality control testing of a Product and (d) all other information and data now or hereafter in existence and not in the public domain, which is in the possession of either Party and its Affiliates and which relates in any way to the Development, testing, manufacture, marketing, use or sale of the Products, including, without limitation, all such information or data that is developed as a result of the Development and/or Commercialization of the Products hereunder. Notwithstanding the foregoing, any data and information developed or obtained by a Party or its Affiliates or any sublicensee that not based upon the other Party’s confidential or proprietary information shall not be deemed to be Proprietary Product Information.

“Regulatory Approval(s)” shall mean any approvals (including pricing and reimbursement approvals), product and/or establishment licenses, registrations or authorizations of any federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacture, use, storage, importation, marketing, export, transport or sale of a Product for the Initial Indications and, if applicable, Additional Indications and/or New Formulations in a regulatory jurisdiction of the Initial Territory.

“Regulatory Authority” shall mean, in respect of any country, any agency responsible for the issuance of Regulatory Approvals for pharmaceutical products marketed in that country.

“SPI and/or RTU” shall mean both SPI and RTU jointly or, either SPI or RTU as decided mutually between SPI and RTU.

“Supply and Purchase Agreement” shall have the meaning set forth in Article 2.

“Takeda Affiliates” shall mean those Affiliates of Takeda listed on Exhibit B; provided that Exhibit B may be modified from time to time during the term of this Agreement by mutual

written agreement of SPI and Takeda.

"TPDHC" shall mean the Therapeutic Products Directorate of Health Canada.

1.2 Other Rules of Interpretation. Unless the context clearly indicates otherwise, the following rules shall govern the interpretation of this Agreement:

(a) The definitions of all terms defined herein shall apply equally to the singular, plural, and possessive forms of such terms.

(b) All references to "Sections," or "Exhibits" shall mean the corresponding Sections of and Exhibits to this Agreement.

Article 2 ACKNOWLEDGEMENTS

RTU hereby acknowledges that SPI and Takeda have agreed to enter into the Collaboration and License Agreement for the Product as of the date hereof in which Takeda has obtained from SPI an exclusive license to co-develop, use, sell, promote, offer for sale, import and distribute the Product for the Initial Indications in the Initial Territories.

Takeda hereby acknowledges that SPI has appointed RTU, under the exclusive manufacturing and supply agreement by and between SPI and RTU (the "Manufacturing and Supply Agreement"), as the exclusive contract manufacturer to manufacture and supply the Product for clinical and commercial purposes for the Initial Indications in the Initial Territory, provided, however, that SPI retains the license to manufacture the Product in the Initial Territory. Further, Takeda hereby acknowledges and agrees that neither it, Takeda Affiliates nor its sub-licensee(s) are granted any right or license to manufacture the Product under the Collaboration and License Agreement.

The Parties further acknowledge and agree that the Parties shall enter into a definitive supply and purchase agreement (the "Supply and Purchase Agreement") among SPI, Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) and RTU for the purpose of determining more detailed terms and conditions for the manufacturing and supply of the Product to Takeda, or if applicable, Takeda Affiliates or its sub-licensee(s), including, but not limited to: the Manufacturing Specification, ordering processes, supply of forecast requirements, acceptance/rejection of the Product, provision regarding cGMP inspection, and any other terms and conditions not covered by this Agreement. The Parties shall discuss in good faith the above terms and conditions and to execute Manufacturing and Supply Agreement as soon as practicable after the execution of this Agreement. The Parties acknowledge and agree that SPI may allow RTU to directly supply the Product to Takeda, or if applicable, Takeda Affiliates or its sub-licensee(s) under such Supply and Purchase Agreement.

Article 3 SUPPLY PRICE OF THE PRODUCT

Under the Supply and Purchase Agreement to be separately established among SPI, Takeda and RTU pursuant to Article 2, SPI shall supply Takeda, or if applicable, Takeda Affiliates or its sub-licensee(s) with the Product at the following supply prices:

(a) Until the earlier of (i) the [**] anniversary of the first Commercial Launch by Takeda, or if applicable, Takeda Affiliates or its sub-licensee(s) of any Product for the Initial Indications in the Initial Territory or (ii) such time as the cumulative quantity of the Product supplied to Takeda, or if applicable, Takeda Affiliates or its sub-licensee(s) for commercial purposes (but excluding samples of the Product for promotion and samples of the Product for the Development) reaches [**] capsules, the supply price for the Product payable by Takeda, or if applicable, Takeda Affiliates or its sub-licensee(s) shall be the following:

(i) US$[**] of the total quantity and JPY equivalent of US$[**] using the Exchange Rate for the remaining [**] of the total quantity in case NDA approval for the Product is for BID (i.e., [**] intake per day) only;

(ii) US$[**] of the total quantity and JPY equivalent of US$[**] using the Exchange Rate for the remaining [**] of the total quantity in case NDA approval for the Product is for QD (i.e., [**] intake per day); and

(iii) such price as shall be determined within the ranges of US$[**] and US$[**] of the total quantity and of JPY equivalent of thus determined price using the Exchange Rate for the remaining [**] of the total quantity, taking into due consideration the ratio of BID and QD supplied to Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) hereunder and/or under the Supply and Purchase Agreement, in case that NDA approvals for the Product are for both BID and QD.

(b) Immediately after the earlier of (i) the [**] anniversary of the first Commercial Launch by Takeda, or if applicable, Takeda Affiliates or its sub-licensee(s) of any Product for the Initial Indications in the Initial Territory or (ii) such time as the cumulative quantity of the Product supplied to Takeda, or if applicable, Takeda Affiliates, or its sub-licensee(s) for commercial purposes (but excluding samples of the Product for promotion and samples of the Product for the Development) reaches [**] capsules, the supply price shall be [**] percent ([**]%) of the Net Sales Revenue of the Product, provided, however, that, if only QD dosage (and nothing else) is Commercialized for the Initial Indications, then the supply price for the Product payable by Takeda, or if applicable, Takeda Affiliates or its sub-licensee(s) shall not exceed US$[**]. In case there is a significant change in economic conditions beyond reasonable expectation and assumption, including those with regard to the Net Sales Revenue price of the Product, of the Parties as of the Effective Date, the Parties shall meet and discuss in good faith about the possibility of modifying the supply price.

(c) Notwithstanding the above, (i) samples of the Products for Development use shall be supplied at a price of US$[**], and (ii) samples of the Product for promotional use shall be supplied at a price of US$[**], provided that Takeda shall pay the costs of packaging the samples of the Product for promotional purposes.

Article 4 PAYMENT

The payment by Takeda to SPI for the supply of the Product shall be made as follows:

(a) With regard to the Product supplied to Takeda at the prices set forth in Section 3(a) and with regard to the samples of the Product for promotional purposes, the payment shall be made against an invoice submitted to Takeda by SPI, within [**] from the date of receipt of such invoice.

(b) With regard to the Product supplied to Takeda at the prices set forth in Section 3(b), Takeda shall pay to SPI a provisional price to be mutually and separately agreed upon by SPI and Takeda on a monthly basis, and, once every calendar quarter, SPI and Takeda shall make an adjustment between thus paid provisional price and the actual price to be paid by Takeda based on the Net Sales Revenue received during such calendar quarter.

Article 5 SECURE OF SUPPLY

SPI and/or RTU shall supply the entire requirement of the Product of Takeda, or if applicable Takeda Affiliates or its sub-licensee(s) in a timely manner and shall maintain 6-month supply inventory of the Compound and 6-month supply inventory of the intermediate product, shall also use its Best Efforts to cause its contract manufacturer to maintain sufficient level of inventories corresponding to the above inventory level.

Article 6 REPRESENTATIONS AND WARRANTIES

6.1 Mutual Representations. Each Party represents and warrants to the other Parties that:

(a) Due Organization. Such Party is a corporation duly organized, validly existing and is in good standing under the laws of the jurisdiction of its incorporation and is qualified to do business in each jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification and failure to have such would prevent it from performing its obligations under this Agreement.

(b) Due Execution. The execution, delivery and performance by such Party of this Agreement have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of its stockholders; (ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it or any provision of its charter or bylaws; or (iii) conflict with or constitute a default under any other agreement to which such Party is a party.

(c) Binding Agreement. This Agreement is a legal, valid and binding obligation of such Party, enforceable against it in accordance with the terms and conditions hereof (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally, and by general principles of equity and by limitation imposed by law and public policy on indemnification or exculpation).

(d) Present Authorizations. Such Party has obtained all authorizations, consents and approvals, governmental or otherwise, necessary for such Party to grant the rights and licenses granted by such Party under this Agreement, and to otherwise perform such Party's obligations under this Agreement.

(e) Conflicting Agreements. Neither such Party nor any of its Affiliates are a party to, or are otherwise bound by, any oral or written contract that will result in any person or entity obtaining any interest in, or that would give to any third party any right to assert any claim in or with respect to, any of such Party's or the other Parties rights under this Agreement nor will either Party undertake any such obligation during the Term.

(f) No Debarment. Neither Party will employ any personnel, and will knowingly use a contractor or consultant, debarred (or a similar sanction) by a Regulatory Authority in the Initial Territory, or who is subject of an FDA or TPDHC debarment investigation or proceeding (or similar proceeding of a regulatory authority in the Initial Territory), in connection with the Development, Commercialization or manufacturing of the Products or the Compound.

(g) Future Authorizations. Unless expressly stated otherwise in this Agreement, all Parties shall obtain all authorizations, consent and approvals, government or otherwise, necessary for such Party to perform its obligations under this Agreement.

(h) Product Liability Insurance. Each Party shall use its Best Efforts to purchase product liability insurance which sufficiently covers the possible damages and losses of such Party.

6.2 Additional Representations by SPI and RTU. SPI and RTU jointly and severally represent and warrant to Takeda that:

(a) Shelf Life. Products manufactured or supplied by SPI and/or RTU shall have an approved shelf life at the date of dispatch from a manufacturing facility;

(b) Defects. Products shall be free from defects in materials and workmanship, and shall not be adulterated or misbranded and is not an article which may not be introduced into interstate commerce;

(c) Manufacturing Specifications. Products shall be manufactured and supplied in accordance with the Manufacturing Specifications and Applicable Regulations;

(d) Compliance with Applicable Regulations. The ownership and operation of the manufacturing facilities of the Product shall be in material compliance with Applicable Regulations; and

(e) Infringement. As of the Effective Date, to SPI's or RTU's knowledge, the manufacture and supply of the Products for promotion and sale in the Initial Territory does not infringe any third party patents or proprietary rights.

(f) Commercial Feasibility. As of the Effective Date, to SPI's or RTU's knowledge, the scale up to commercial supply of Product in accordance with this Agreement and/or the Supply and Purchase Agreement is commercially feasible.

(g) Disclosure. SPI and/or RTU have provided and shall provide to Takeda all

pertinent information in their possession relative to physical, environmental and human health hazards involving the Compound and/or the Product.

(h) No Debarred Individuals. As of the Effective Date, SPI and/or RTU have not employed and, to their knowledge, have not used a contractor or consultant that has employed, any individual or entity debarred by the U.S. or TPDHC, or, to the knowledge of SPI and/or RTU, any individual who or entity which is the subject of a debarment investigation or proceeding (or similar proceeding) of the FDA or TPDHC.

6.3 Takeda Warranties. Takeda hereby represents and warrants to SPI and RTU that:

(a) Affiliate and sub-licensee Compliance. All Takeda Affiliates and sub-licensee(s) who obtain a sublicense as permitted hereunder will comply with the terms of this Agreement in connection, and Takeda shall remain responsible for and be a guarantor of the compliance of all Takeda Affiliates and sub-licensee(s).

(b) Maximizing Net Sales Revenue. Takeda shall use its Best Efforts to maximize the Net Sales Revenue for the Products in the Initial Territory.

(c) No Debarred Individuals. As of the Effective Date, Takeda has not employed and, to its knowledge, has not used a contractor or consultant that has employed, any individual or entity debarred by the U.S. or TPDHC, or, to the knowledge of Takeda, any individual who or entity which is the subject of a debarment investigation or proceeding (or similar proceeding) of the FDA or TPDHC.

Article 7 INDEMNIFICATION

7.1 Indemnification by Takeda. Takeda shall indemnify, defend and hold harmless SPI and RTU from and against any and all liabilities, damages, losses, costs or expenses (including reasonable attorneys' and professional fees and other expenses of litigation and/or arbitration) (the "Liability") resulting from a claim, suit or proceeding made or brought by a third party against SPI, RTU or its Affiliates arising from or occurring as a result of (i) any breach of the representations and warranties made by Takeda (and, if applicable Takeda Affiliates or its sub-licensee(s)) in Article 6; (ii) negligence of Takeda (and, if applicable, Takeda Affiliates or its sub-licensee(s)) in conducting any research, development, if conducted by Takeda, Takeda Affiliates or its sub-licensee(s), testing, importation, use, offer for sale, sale or other distribution of any Product by Takeda (or, if applicable Takeda Affiliates or its sub-licensee(s)) (including without limitation, product liability claims), (iii) the Commercialization by Takeda (and, if applicable Takeda Affiliates or its sub-licensee(s)), despite SPI's good faith proposal to change the commercialization plan or the Commercialization because of the possible illegality of the sales and marketing practice, or as a result of unfair practice or unfair competition which is not within industry standard by Takeda (and, if applicable Takeda Affiliates or its sub-licensee(s)), or (iv) failure of Takeda (and, if applicable Takeda Affiliates or its sub-licensee(s)) to comply with any provision of this Agreement, or with any applicable laws, regulations and/or administrative decisions relating to the Products, except in each case to the extent caused by the negligence or willful misconduct of SPI, RTU or its Affiliates.

7.2 Indemnification by SPI. SPI shall indemnify, defend and hold harmless Takeda (and, if applicable, Takeda Affiliates and its sub-licensee(s)) and RTU from any Liability resulting from a claim, suit or proceeding made or brought by a third party against Takeda (and, if applicable, Takeda Affiliates and its sub-licensee(s)) and/or RTU arising from or occurring as a result of (i) any breach of the representations and warranties made by SPI in Article 6; (ii) negligence of SPI in conducting any research, development, testing, manufacture, importation, use, offer for sale, sale or other distribution of any Product by SPI, contract manufacturers or sub-licensees (including without limitation, product liability claims) or (iii) failure of SPI, contract manufacturers or sub-licenses to comply with any provision of this Agreement, or with any applicable laws, regulations and/or administrative decisions relating to the Products, except in each case to the extent caused by the negligence or willful misconduct of Takeda, Takeda Affiliates, its sub-licensee(s) or RTU.

7.3 Indemnification by RTU. Notwithstanding anything contained in Section 7.1 and 7.2, RTU shall indemnify, defend and hold harmless SPI and Takeda (and, if applicable, Takeda Affiliates and its sub-licensee(s)) from any Liability resulting from a claim, suit or proceeding made or brought by a third party against SPI and/or Takeda (and, if applicable, Takeda Affiliates and its sub-licensee(s)) arising from or occurring as a result of (a) any breach of the representations and warranties made by RTU in Article 6; or (b) any manufacture of any Product by RTU (including without limitation, product liability claims arising from a manufacturing defect of the Product), except in each case to the extent caused by the actions or inactions of SPI, Takeda, Takeda Affiliates or its sub-licensee(s). In the event of recall of the Product due to manufacturing defect of the Product, the cost and expenses for the recall shall be borne by RTU.

7.4 The matters not covered by any of Section 7.1, 7.2 or 7.3. If a product liability claim is made or brought by a third party against either or both Parties but is not covered by Section 7.1, 7.2 or 7.3, the SPI and Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) shall share any damage, loss and cost incurred by either or both Parties in connection with such product liability claim, in accordance with the Collaboration and License Agreement.

7.5 Indemnification Process. In the event that any Party (the “Indemnified Party”) intends to claim indemnification against any other Party hereto (the “Indemnifying Party”) under this Article 7, it shall promptly notify the Indemnifying Party in writing of such alleged claim in reasonable details. The Indemnifying Party shall have the sole right to control the defense and settlement thereof. The Indemnified Party shall cooperate with the Indemnifying Party and its legal representatives in the investigation of the Liability subject to the alleged claim covered by this Article 7. The Indemnified Party shall not, except at its own cost, voluntarily make any payment or incur any expense with respect to any claim or suit without the prior written consent of the Indemnifying Party, which the Indemnifying Party shall not be required to give. In addition, the Indemnifying Party shall be subrogated to the rights of the Indemnified Party against any third party, and such Indemnified Party hereby assigns to the Indemnifying Party all claims, causes of action and other rights which the Indemnified Party may then have against any third party, including Affiliates and sublicensees and, in the case of SPI, against any contract manufacturer of Product, with respect to the claim, suit or proceeding. Conversely, and without in any way limiting the obligation of either Party to indemnify the other Party (or Parties) as

herein provided, to the extent that any Party fails to perform its indemnification obligations under this Article 7, such Party owing a duty of indemnification hereby assigns to the other Party all claims, cause of action and other rights which the Party owing such duty may then have against any third party, including Affiliates and sublicensees and, in the case of SPI and/or RTU, against any contract manufacturer of the Compound, Product and any intermediate product thereof, with respect to the claim, suit or proceeding. For the avoidance of doubt, in relation to the indemnification, SPI and RTU shall be jointly and severally responsible to Takeda.

Article 8 CONFIDENTIALITY

8.1 Non-Use and Non-Disclosure. Each Party acknowledges and agrees that all the other Party's Confidential Information is confidential and proprietary to the disclosing Party. Each Party shall not use or disclose to any third party the other Party's Confidential Information for any purpose other than as permitted or required hereunder. Each Party shall take the same reasonable measures necessary to prevent any disclosure by its employees, agents, contractors, or consultants of the other Party's Confidential Information as it applies to the protection of its own Confidential Information.

8.2 Exclusions. Information shall not be considered Confidential Information hereunder if it:

(a) was already in the possession of the receiving Party prior to its receipt from the disclosing Party, as shown by the receiving Party's books and records;

(b) is, or becomes, part of the public knowledge or literature through no fault, act or omission of the receiving Party, provided, Proprietary Product Information shall not be deemed to have entered the public domain by reason of its having been filed with any Regulatory Authority;

(c) is, or becomes, available to the receiving Party from a source other than the disclosing Party, which source has rightfully obtained the same information and has no obligation of confidentiality to the disclosing Party with respect to it;

(d) is made available on an unrestricted basis by the disclosing Party to a third party unaffiliated with the disclosing Party; or

(e) is required to be revealed pursuant to law, provided, however, the receiving Party which is under any such requirement of law shall give reasonable notice to the disclosing Party of such requirement and shall cooperate with the disclosing Party in reasonable legal efforts to limit or mitigate any such revelation so as to preserve the proprietary nature of any Confidential Information contained therein.

8.3 Authorized Disclosures. Each Party may disclose Confidential Information hereunder to the extent such disclosure is reasonably necessary in filing or prosecuting patent applications, prosecuting or defending litigation, complying with applicable governmental regulations, obtaining financing from third parties or conducting pre-clinical or clinical trials, provided that if a Party is required by law or regulation to make any such disclosures of the other Party's Confidential Information it will, except where impracticable for necessary disclosures,

for example in the event of medical emergency, give reasonable advance notice to the other Party of such disclosure requirement and, except to the extent inappropriate in the case of patent applications, will use its reasonable efforts to secure confidential treatment of such Confidential Information required to be disclosed. In addition, and with prior notice to the other Party of each third party with whom a confidential disclosure agreement is being entered into, each Party shall be entitled to disclose, under a binder of confidentiality containing provisions as protective as those of this Article 8 to any third party for the purpose of carrying out the purposes of this Agreement

8.4 Duration; Surviving Obligation. Each Party's obligations of non-use and non-disclosure of the other Party's Confidential Information shall apply during the term of this Agreement and shall also survive for a period of ten (10) years after its termination for any reason, provided, however, that this Agreement is terminated earlier than the term set forth in Section 10.1, each Party's obligations shall survive ten (10) years after the expiration of the last valid Licensed Patent.

Article 9 FORCE MAJEURE

9.1 Notice. A Party affected by an event of Force Majeure shall promptly provide the other Parties with written notice describing the event, its cause and foreseeable duration, and its possible consequences upon performance under this Agreement.

9.2 Suspension of Performance. After an affected Party has given notice under Section 9.1, that Party shall be relieved of any liability under this Agreement, except for the obligation to pay amounts due and owing, but only to the extent and only for so long as the Force Majeure prevents performance, provided, however, that the Party so affected shall use reasonable efforts to avoid or remove such causes on non performance. The other Parties may likewise suspend the performance of all or part of its obligations, except for the obligation to pay any amounts due and owing, to the extent that such suspension is commercially reasonable.

9.3 Termination. If the period of Force Majeure continues for more than one (1) year, the Parties shall meet and discuss whether the Agreement shall be amended or terminated.

Article 10 TERM AND TERMINATION.

(a) The term of this Agreement shall commence on the Effective Date and shall continue in full force and effect until December 31, 2020. RTU hereby acknowledges and accepts that this Agreement may be terminated earlier than said termination date in case Collaboration and License Agreement terminates, in that case which SPI and Takeda shall use commercially reasonable effort to give RTU a prior notice about such early termination. RTU shall accept such early termination upon receiving the notice from SPI and Takeda.

(b) The Parties' respective rights and obligations under Article 4 (Payment), 7 (Indemnification), 11 (Limitation of Liability), 12 (Dispute Resolution) and 13 (Miscellaneous) shall survive termination or expiration of this Agreement. The Parties' respective rights and obligations under Article 8 (Confidentiality) shall survive termination or expiration of this Agreement for the period stated therein.

Article 11 LIMITATION OF LIABILITY

EXCEPT FOR ANY BREACH OF ARTICLE 8 (CONFIDENTIALITY), IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTIES HEREUNDER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SIMILAR LOSSES OR DAMAGES, EVEN IF SUCH PARTIES SHALL HAVE BEEN ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH POTENTIAL LOSS OR DAMAGE. IN ADDITION, SPI AND ITS AFFILIATES SHALL NOT BE LIABLE TO TAKEDA AND RTU IN THE EVENT THAT AN NDA IS NEVER ISSUED OR GRANTED OR NET SALES REVENUE ARE NEVER ACHIEVED.

Article 12 DISPUTE RESOLUTION

12.1 Negotiation. The Parties agree to consult and negotiate in good faith to try to resolve any dispute, controversy or claim that arises out of or relates to this Agreement. Except as provided in Section 12.2, no formal dispute resolution shall be used by either Party unless and until the Chief Officer of each Party shall have attempted to meet in person to achieve such an amicable resolution.

12.2 Reservation for Litigation. Notwithstanding Section 12.3 below, each Party expressly reserves the right to seek judicial relief from a court of competent jurisdiction if the other Party is or appears to be in violation of such other Party's obligations of non-use and non-disclosure under Article 8 above, including, without limitation, any injunction or other preliminary relief; PROVIDED, HOWEVER, THAT EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY RIGHTS THAT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION UNDER THIS SECTION 12.2.

12.3 Arbitration. Subject to the reservation of the Parties under Section 12.2 above, any dispute, controversy or claim that arises out of or relates to this Agreement that is not resolved between or among the Parties hereto under Section 12.1 shall be settled by final and binding arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce ("ICC") in effect on the Effective Date, as modified by Section 12.4 below. Judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. The place of arbitration shall be New York, New York, U.S.A. The arbitration shall be conducted in the English language by three (3) neutral arbitrators selected as follows: (i) if the arbitration is held between two (2) of the Parties, one (1) of the arbitrators will be selected by one (1) of the relevant two (2) Parties, one of the arbitrators will be selected by the remaining one (1) of the relevant two(2) Parties, and the other will be selected by mutual agreement of the two(2) arbitrators thus selected by the relevant two (2) Parties or, if that is not possible within thirty (30) days of the initial demand for such arbitration, by the ICC; and (ii) if the arbitration is held among all of the Parties, one (1) of the arbitrators will be selected by SPI and RTU, one of the arbitrators will be selected by Takeda, and the other will be selected by mutual agreement of the two(2) arbitrators thus selected by the Parties or, if that is not possible within thirty (30) days of the initial demand for such arbitration, by the ICC. At least one (1) arbitrator shall have knowledge of and experience in the pharmaceutical industry, and at least one (1) arbitrator shall have knowledge of and experience in international law and technology licensing. Notwithstanding anything to the contrary contained herein, if an arbitration is held only between

two (2) of the Parties, the rights and obligations of the remaining one (1) Party under this Agreement and/or Supply and Purchase Agreement shall not be modified, changed or influenced in any way.

12.4 Special Rules. Notwithstanding any provision to the contrary in the Rules of Arbitration of the "ICC", the Parties hereby stipulate that any arbitration hereunder shall be subject to the following special rules: (a) the arbitrators may not award or assess punitive damages against either Party; and (b) relevant Parties among SPI, Takeda and/or RTU shall bear their own costs and expenses of the arbitration and shall equally share the fees and costs of the arbitrators, subject to the power of the arbitrators, in their sole discretion, to award all such reasonable costs, expenses and fees to the prevailing Party (or Parties).

12.5 Survival. The duty of the Parties to arbitrate any dispute, controversy or claim under this Article 12 shall survive the termination of this Agreement for any reason.

Article 13 MISCELLANEOUS

13.1 Entire Agreement. This Agreement, including Exhibits attached hereto and incorporated as an integral part of this Agreement constitute the entire agreement of the Parties with respect to the subject matter hereof, and supersede all previous agreements by and among the Parties as well as all proposals, oral or written, and all prior or contemporaneous negotiations, conversations or discussions among the Parties related to this Agreement.

13.2 Relationship. The Parties are independent contractors and shall not be deemed to have formed any partnership, joint venture or other relationship. Neither Party shall make, or represent to any other person that it has the power or authority to make, any financial or other commitment on behalf of the other Party.

13.3 Assignment. Neither Party shall have the right to assign or otherwise transfer its rights and obligations under this Agreement except with the prior written consent of the other Party. This Agreement shall inure to the benefit of the Parties hereto and any permitted assignees. Any prohibited assignment shall be null and void.

13.4 Notices; Language. Except as may be otherwise provided in this Agreement, any notice, demand or request given, made or required to be made shall be in writing and shall be effective, unless otherwise provided herein, when received after delivery by (a) registered air mail, postage prepaid; (b) facsimile with electronic confirmation of receipt; or (c) a reputable international courier such as Federal Express or DHL at the addresses set forth below or to any other address that a Party specifies pursuant hereto. All reports, notices and communications required or permitted hereunder shall be in the English language.

If to Takeda: Takeda Pharmaceutical Company Limited.
1-1, Doshomachi 4-chome
Chuo-ku, Osaka 540-8645 Japan

Facsimile: 81-6-6204-2328
Attention: General Manager, Licensing Department

If to SPI: Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue, Suite 450
Bethesda, Maryland 20814
United States

Facsimile: 1-301-961-3440
Attention: Dr. Sachiko Kuno, Chief Executive Officer

If to RTU: R-Tech Ueno, Ltd.
10F Yamato Life Insurance Bldg.,
1-1-7 Uchisaiwaicho
Chiyoda-ku, Tokyo 100-0011 Japan

Facsimile: 81-3-3596-8023
Attention: Ms. Yukiko Hashitera, Representative Director

13.5 Governing Law. This Agreement shall be governed by, and interpreted and construed in accordance with, the law of the State of New York, USA, excluding its choice of law rules and the U.N. Convention on the International Sale of Goods.

13.6 Amendment. This Agreement may not be modified or amended, in whole or in part, except by written agreement signed by all the Parties hereto.

13.7 Severability. If one or more of the provisions of this Agreement is subsequently declared invalid or unenforceable, this Agreement shall be treated as though that provision were not in this Agreement, and this shall not affect the validity or enforceability of the remaining provisions of this Agreement (unless those provisions that are invalidated or unenforceable are clearly material and inseparable from the other provisions). The Agreement as modified shall be applied and construed to reflect substantially the good faith intent of the Parties and to achieve the economic effects originally intended by the terms hereof.

13.8 Counterparts. This Agreement shall be executed in three or more counterparts, and each such counterpart shall be deemed an original hereof.

13.9 Waiver. No failure by either Party to take any action or assert any right hereunder shall be deemed to be a waiver of such right in the event of the continuation or repetition of the circumstances giving rise to such right.

13.10 No limitation of damages. No payments or agreements to pay under this Agreement shall in any way preclude or limit the rights of either Party to seek the full recovery of its damages (subject to the limitations stated in this Agreement), or to seek equitable relief, for breach of this Agreement by the other Party.

13.11 License Status in Bankruptcy. All rights and licensed granted under or

pursuant to any section of this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code ("the Bankruptcy Code"), licenses of any rights to "intellectual property" as that term is defined under Section 101(35A) of the Bankruptcy Code. Upon the bankruptcy of any Party or Affiliate thereof, the non-bankrupt Party shall further be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments thereof, and the same, if not already in its possession, shall be promptly delivered to the non-bankrupt Party upon written request therefor, unless the bankrupt Party elects to continue, and continues, to perform all of its obligations under this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day first above written,

Takeda Pharmaceutical Company Limited

By /s/ Yasuchika Hasegawa
Name: Yasuchika Hasegawa
Title: President and Chief Operating Officer

Sucampo Pharmaceuticals, Inc.

By /s/ Sachiko Kuno
Name: Sachiko Kuno, PhD
Title: President and Chief Executive Officer

R-Tech Ueno, Ltd.

By /s/ Mitsunaga Tada
Name: Mitsunaga Tada
Title: President and Representative Director

EXHIBITS

A. Description of Compound

B. Takeda Affiliate

EXHIBIT A
Description of Compound

Generic Name:	lubiprostone
Chemical Names:	[**]
Code Name:	SPI-0211
CAS No:	136790-76-6

EXHIBIT B
Takeda Affiliate

Takeda Pharmaceuticals North America, Inc.

Exhibit 10.24

Confidential Materials omitted and filed separately with the

Securities and Exchange Commission. Asterisks denote omissions.

SUPPLY AND PURCHASE AGREEMENT

THIS SUPPLY AND PURCHASE AGREEMENT is made as of January 25, 2006, by and among Sucampo Pharmaceuticals, Inc., a Delaware corporation having its principal place of business at 4733 Bethesda Avenue, Suite 450, Bethesda, Maryland 20814 USA ("SPI"), Takeda Pharmaceutical Company Limited, a corporation organized under the laws of Japan having its principal place of business at 1-1, Doshomachi 4-chome, Chuo-ku, Osaka 540-8645, JAPAN ("Takeda") and R-Tech Ueno, Ltd., a corporation organized under the laws of Japan having its principal place of business at 10F, Yamato Life Insurance Bldg., 1-1-7 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, JAPAN ("RTU") (this "Agreement"). SPI, Takeda and RTU are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

Recitals

WHEREAS, Takeda has obtained from SPI an exclusive license to co-develop, use, sell, promote, offer for sale, import and distribute the Product (hereinafter defined) for the gastroenterology indications in the United States and Canada under a collaboration and license agreement as of October 29, 2004 (the "Collaboration and License Agreement") and Takeda has the right to execute its rights and duties under the Collaboration and License Agreement through Takeda Affiliates and/or its sublicensees;

WHEREAS, SPI, Takeda and RTU have entered into a supply agreement as of October 29, 2004 (the "Supply Agreement") pursuant to which the Parties acknowledged and agreed (i) Takeda has the right to execute its rights and duties under the Supply Agreement through Takeda Affiliates and/or its sublicensees and (ii) to enter into a definitive supply and purchase agreement for the purpose of determining more detailed terms and conditions for the manufacturing and supply of the Product to Takeda;

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the Parties hereto have agreed as follows:

Article 1 INTRODUCTORY PROVISIONS

1.1 Defined Terms. The following terms, when used in capitalized form in this Agreement, shall have the meanings assigned to them in this Article. The terms when used in capitalized form in this Agreement and not defined in this Agreement shall have the same meanings as defined in the Supply Agreement.

"Binding Forecasts" shall have the meaning ascribed to such term in Section 6.2 hereof.

"JPY Equivalent" shall mean JPY one hundred seven point ninety-two (107.92).

"Manufacturing" means the compounding, component preparation, testing, and other procedures, or any part thereof, involved in manufacturing the Products in accordance with

the Manufacturing Specifications. The terms “Manufacture,” “Manufactured” and “Manufacturing” in this Agreement shall have the identical meaning.

“Manufacturing Specification(s)” shall mean the commercial specification for the manufacturing, quality control, packaging, labeling, shipping, delivery and storage of the Product and Samples to be agreed upon between the Parties but which at least satisfies specifications approved by FDA and TPDHC.

“Non-Conformity/Non-Conforming” shall have the meaning ascribed to such term in Section 7.1 hereof.

“Packaging” means the procedures of filling, inspecting, labeling, packaging and packing of the Products or any part thereof in accordance with the Manufacturing Specifications. The terms “Package,” “Packaged” and “Packaging” in this Agreement shall have the identical meaning.

“Product” shall mean any and all pharmaceutical preparations for human use that contains the Compound, a chemical equivalent, a salt, or a prodrug thereof as an active ingredient, in finished package form suitable for distribution to end users.

“RTU Contractor” shall mean a third party under contract with RTU in accordance with Section 2.3 of this Agreement to conduct any portion of Manufacturing and/or Packaging for which RTU is responsible under this Agreement.

“Sample(s)” shall mean the samples of the Product for promotional use.

Article 2 SUPPLY AND PURCHASE OBLIGATIONS OF THE PARTIES

2.1 Supply and Purchase Obligations. During the term of this Agreement, Takeda agrees to purchase all its demand on the Product exclusively from RTU, Takeda’s requirements for the Product and Samples for the Initial Territory in accordance with the terms and conditions set forth in this Agreement.

2.2 Product. Subject to the terms and conditions of this Agreement, RTU shall Manufacture, Package and supply Takeda with entire requirement of the Product and Samples of Takeda, or if applicable Takeda Affiliates or its sub-licensee(s), in a timely manner according to forecasted demands of Takeda in the Initial Territory. Except as provided in Article 8, Takeda agrees to purchase its requirements for the Product and Samples exclusively from RTU at the prices described in Article 3.

2.3 Subcontracts. RTU shall be responsible for Manufacturing and Packaging the Product and Sample at RTU’s own premises or by use of contractors selected by RTU. Any and all RTU Contractors shall have sufficient knowledge and expertise to carry out the Manufacture and/or Packaging, as the case may be, of the Product and Samples and sufficient capacity to meet the requirements of Takeda for the Product and Samples. Any such Manufacturing and/or Packaging by an RTU Contractor, however, shall not relieve RTU from

any of its obligations or covenants under this Agreement and/or the Supply Agreement. RTU shall inform Takeda and SPI of its contractor promptly after RTU's appointment of its contractor.

2.4 Development Product. The Parties acknowledge that any Product to be used in connection with the conduct of clinical studies shall be provided to Takeda pursuant to the Collaboration and License Agreement.

Article 3 PRICE AND PAYMENT

3.1 Price for Product. The prices for the Manufacture, Packaging and supply of Product shall be:

(a) the prices set forth in subsections 3.1(a)(i), (ii) and(iii), as applicable, until the earlier of (i) the [**] anniversary of the first Commercial Launch by Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) of any Product for the Initial Indications in the Initial Territory, or (ii) such time as the cumulative quantity of the Product (other than Samples and Product used for clinical studies) supplied to Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) reaches [**] capsules.

(i) in the event NDA approval for the Product provides for BID dosing (i.e., intake twice daily) only, US$[**] (or US$[**] per capsule) for [**] of the total quantity of Product purchased by Takeda and JPY Equivalent of US$[**] (or US$[**] per capsule) for the remaining [**] of such total quantity;

(ii) in the event NDA approval for the Product provides for QD dosing (i.e., intake once daily) only, US$[**] (or US$[**] per capsule) for [**] of the total quantity of Product purchased by Takeda and JPY Equivalent of US$[**] (or US$[**] per capsule) for the remaining [**] of such total quantity; and

(iii) in the event NDA approval for the Product provides for both BID and QD dosing, then the price shall be determined by mutual agreement of the Parties (based on the ratio of BID and QD supplied to Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) within the range of US$[**] and US$[**] for [**] of the total quantity of Product purchased by Takeda and the JPY Equivalent of such determined price for the remaining [**] of such total quantity.

(b) the price set forth in this subsection 3.1(b) after the earlier of (i) the [**] anniversary of the first Commercial Launch by Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) of any Product for the Initial Indications in the Initial Territory, or (ii) such time as the cumulative quantity of the Product (other than Samples and Product used for clinical studies) supplied to Takeda (or, if applicable, Takeda Affiliates or its sub-licensee(s)) reaches [**] capsules. Immediately following the occurrence of the applicable triggering event described in the prior sentence, the price shall be [**] percent ([**]%) of the Net Sales Revenue of the Product; provided, however, if only the QD dosage form (and nothing else) is Commercialized for the Initial Indications, then the price shall not exceed US$[**] (or US$[**] per capsule). In case there is a significant change in economic conditions beyond

the reasonable expectation and assumption, including those with regard to the Net Sales Revenue price of the Product, of the Parties as of the Effective Date, the Parties shall meet and discuss in good faith about the possibility of modifying such price.

3.2 Price for Samples.

(a) The price for the Manufacturing and supply of Samples shall be US$[**], excluding Packaging costs. Takeda shall pay all reasonable direct costs (excluding any mark up) to Package the Samples.

(b) RTU shall keep complete and accurate records of its Packaging costs for Sample in accordance with generally accepted accounting principles in Japan. Such records shall be maintained by RTU for a period of five (5) years. Not more frequently than once each year, Takeda, at its expense, shall have the right to conduct an examination or audit of said records of RTU in order to verify that amounts paid to RTU for Samples hereunder are correct. RTU shall cooperate fully with the auditor and to provide all reasonable access to records and employees necessary to promptly complete this audit. In the event any examination or audit of the records of RTU discloses an under- or overpayment hereunder, written notice of such fact, specifying the amount and basis of the under- or overpayment shall promptly be furnished to both parties by the auditor. In the event of an overpayment the amount thereof shall be credited against future amounts owed to RTU hereunder, or if there will be no such future amounts, RTU shall refund the overpayment to Takeda within [**] of such notice. In the event of an underpayment, Takeda shall pay the amount thereof to RTU within [**] after such disclosure.

3.3 Payment.

(a) RTU shall submit invoices to Takeda for each shipment of Product and/or Samples shipped to Takeda (or, if applicable, Takeda Affiliates and/or its sublicensees). Such invoices shall be paid by Takeda within [**] after the date the relevant invoice is received or the date of shipment, whichever is later.

(b) With regard to Product supplied at the price set forth in Section 3.1(b), Takeda shall pay to RTU each month a provisional price to be mutually and separately agreed upon by SPI and Takeda not later than [**] following the occurrence of the applicable triggering event described in subsection 3.1(b). If the Parties are unable to reach agreement on such provisional price, then the provisional price shall be [**]% of the Net Sales Revenue of the latest six months divided by 6. Within ninety (90) days following each calendar year beginning with the calendar year in which the price set forth in Section 3.1(b) becomes effective, Takeda shall submit to SPI and RTU a report stating its Net Sales Revenue for such calendar year (or for the portion of such year for which the price set forth in Section 3.1(b) is applicable) and the amount equal to [**] percent ([**]%) of such Net Sales Revenue. If Takeda's payments of such provisional price for such calendar year (i) are less than [**]% of Net Sales Revenue, Takeda shall pay RTU the shortfall within fifteen (15) days of submitting such report, or (ii) exceed [**]% of Net Sales Revenue, RTU shall pay Takeda the excess amount within fifteen (15) days of receiving such report.

(c) All payments hereunder shall be made as follows:

(i) Payments for the Product whose prices are set forth in subsections 3.1(a) shall be made in United States Dollars for [**] of the quantity of the Product purchased by Takeda and in JPY for the remaining [**] of such total quantity whose price is calculated by using JPY Equivalent.

(ii) Payments for the Product whose prices are set forth in subsection 3.1(b) and the Samples shall be made in United States Dollars. The exchange rates from local currency to United States Dollars shall be the exchange rates (buying rates of United States Dollars) at the time of each shipment published in *The Wall Street Journal* (or any substitute source mutually agreed to by the Parties).

3.4 Development Product. Pursuant to Section 4.2(b)(vii) of the Collaboration and License Agreement, the costs for any Product and/or placebo used in connection with the conduct of clinical studies shall be deemed to be included within Development costs and any such costs therefore shall be paid by SPI or Takeda as provided in the Collaboration and License Agreement. The Parties acknowledge the price [**] of such Product is U.S.$[**]. The price for any placebo [**] supplied by RTU for use in connection with the conduct of clinical studies shall be US $[**] equal to [**] percent ([**]%) of Product). RTU shall supply and Takeda and SPI shall purchase their entire requirements for the Product from RTU in the standard order quantities of standard case lots (i.e. [**] per lot). RTU shall keep the Product and placebo in appropriate condition until the Product and placebo are required for use.

Article 4 MANUFACTURING AND QUALITY

4.1 RTU manufacturing. RTU shall be responsible for Manufacturing, Packaging, storing and shipping the Product, Samples and placebo to be supplied to Takeda and/or SPI hereunder. The Product, Samples and placebo shall be Manufactured, Packaged, stored and shipped in accordance with the Manufacturing Specifications, Applicable Regulations and Market Authorizations. Each batch of the Product, Samples and placebo shipped to Takeda and/or SPI will include (i) a certificate of analysis confirming that the Product, Samples and/or placebo meets the then-current Manufacturing Specifications; and (ii) a certificate of release approval stating that the Product, Samples and/or placebo were Manufactured and/or Packaged in accordance with current good manufacturing and control practices.

4.2 Modifications. In case RTU wishes to modify its Manufacturing or Packaging processes and procedures and/or to change the facilities and/or site where the Product, Samples or Compound are Manufactured and/or Packaged, RTU shall provide to Takeda and SPI in writing the information and the reason therefore sufficiently in advance. RTU shall ensure that any such approved modifications or changes are in compliance with Applicable Regulations and the Market Authorizations, and that such changes do not affect the Manufacturing Specifications or do not result in any interruption of supply of Product and Samples to Takeda and SPI (or, if applicable, Takeda Affiliates and/or its sublicensees). If any such changes are made or are to be made that are substantial or will require an amendment to the Market Authorizations, RTU shall be responsible, at its expense, for obtaining any necessary or advisable amendments to the Market Authorizations.

4.3 Quality Control and Audit.

(a) Testing. RTU shall perform quality control tests, assays and final release testing on Compound, Products and Samples in accordance with the Manufacturing Specifications and Applicable Regulations. Results of such tests and assays will be submitted to Takeda and SPI promptly upon request. Takeda shall have the right to reject any lot or batch of the Products not later than thirty (30) days after the date on which results of the tests and assays are received if there is any non-conformity of the results with the Manufacturing Specifications or Applicable Regulations.

(b) Retention Samples. RTU shall retain, for at least one (1) year after the expiration date of the applicable lot or batch of Products, a file sample properly stored from each lot or batch of Products Manufactured or Packaged of sufficient quantity to perform each quality control test specified in the Manufacturing Specifications at least two (2) times.

(c) Nonconformance. In the event a material quality issue arises at any RTU facility or RTU Contractor facility relating to the Product or Samples, RTU shall promptly provide Takeda and SPI written notice of such issue, its impact on the supply of Product and/or Samples, and the corrective measures to be utilized. For purposes of this Section 4.3(c), a material quality issue shall include: foreign product mix-up, contamination; failure to meet stability and/or release specifications; incorrect labeling material used in Packaging; and missing or incorrect lot number or expiration date on Packaging.

(d) Audits. Takeda and SPI shall have the right to conduct or to have a designated third party conduct quality assurance audits at any and all facilities (whether operated by RTU or RTU Contractors) in the presence of RTU, where Manufacturing, Packaging, storage, testing or other related activities are carried out on the Product and/or Samples for the purpose of verifying conformance to the Manufacturing Specifications and Applicable Regulations in an interval of not more than once a year in the normal course. Takeda's, SPI's or designated third party's auditors shall have the right to review any and all relevant documents related to the Product, Samples and/or facility operations related to their Manufacturing, Packaging, storage, testing (including without limitation test results, batch records, investigations by Regulatory Authorities) and may take copies of relevant documents with RTU's and, if applicable, RTU Contractor's approval. Such audits shall be conducted following at least thirty days (30 days) notice during normal business hours and shall be limited to those operations that are directly related to the Compound, Product or Samples. Not withstanding the foregoing, in the emergency situation including without limitation the event of Product quality complaints, Takeda and SPI shall have the right to conduct such audits on a needed basis with shorter notice and RTU shall fully cooperate with such audit.

4.4 Regulatory Inspections. In the event any Party receives a notification of inspection or other communication (including the reporting of adverse drug experiences or field alerts) from the Regulatory Authorities relating to the Product, or Samples and/or a facility at which they are Manufactured, Packaged, stored or tested, the Party receiving such notice will notify the other Parties within three (3) days. RTU, Takeda and SPI agree to notify each other in advance of any response to agency observations. The Party so inspected or communicated

with shall provide the other Parties with a report on the outcome of the inspection or communication.

4.5 Recalls.

(a) Determination. If SPI or Takeda believes that a voluntary recall of a Product is necessary, such Party shall notify and consult with the other Party within one (1) working day of such determination, and SPI and Takeda shall cooperate in good faith to determine if such a recall is necessary and, if so, to allow such recall to occur under the direction of the JSC. In the event of a dispute regarding whether or not to recall a Product, the decision of the JSC shall prevail. SPI or Takeda may recall the Product unilaterally due to an emergency, for example, (a) relevant Regulatory Authorities instructed, recommended or suggested the recall or (b) in such Party's reasonable judgment, non-implementation of recall may constitute a violation of a relevant law or regulation or (c) non-implementation of recall may court criminal or administrative punishment under a relevant law or regulation or (d) if the mechanism under the foregoing provisions of this Section 4.5 is not adequate to address a serious health or safety risk to consumers.

(b) Implementation. The conduct of any recall of the Product or Samples from the market shall be the responsibility of RTU and/or SPI. Takeda shall fully cooperate with RTU and/or SPI in the event of any recall, field alert or similar event and provide such assistance in connection therewith as RTU may reasonably request.

(c) Costs. The cost and expenses for the recall shall be borne by SPI or Takeda or shared by both SPI and Takeda, respectively, in accordance with the same rules as provided for in Article 10 of the Collaboration and License Agreement. In the event of recall of the Product due to manufacturing defect of the Product, the cost and expenses for the recall shall be borne by RTU.

4.6 Product Quality Complaints and Adverse Experience Data.

(a) Product Quality Complaints. RTU shall be responsible for handling all Product complaints. Takeda shall forward to RTU any Product complaints received by Takeda five (5) business days after receipt thereof and shall, at RTU's cost, provide such assistance in investigating and resolving such complaints as RTU may reasonably request. RTU shall notify Takeda at least once each calendar quarter of any Product quality complaints received by RTU or RTU Contractors. RTU's handling of complaints shall in no way waive, modify or diminish any of its obligations under this Agreement, the Supply Agreement or the Collaboration and License Agreement.

(b) Adverse Experience Data. The Parties shall be responsible for reporting and investigating Adverse Experience Data in accordance with a separate safety data exchange protocol to be mutually agreed by SPI and Takeda.

(c) Annual Reports. The Parties shall be responsible for filing annual safety reports with the Regulatory Authority in accordance with a separate safety data exchange protocol to be mutually agreed by SPI and Takeda.

Article 5 WARRANTIES

In addition to Article 6 of the Supply Agreement, Each Party represents and warrants to the other Parties that:

5.1 RTU and SPI Warranties. RTU and SPI warrant to Takeda that:

(a) RTU and SPI have good and marketable title to the Products and Samples delivered to Takeda hereunder;

(b) The Products and Samples delivered to Takeda will be Manufactured and Packaged in compliance with Applicable Regulations and will meet the Manufacturing Specifications;

(c) The Products and Samples delivered to Takeda will not be adulterated or misbranded within the meaning of the United States Food, Drug and Cosmetic Act or any regulation thereunder; and

(d) The Products and Samples delivered to Takeda do not infringe on any currently existing United States or Canadian patents held by any person or entity.

5.2 Takeda Warranties. Takeda hereby represents and warrants to SPI and RTU that:

(a) Takeda will distribute the Products and Samples in compliance with Applicable Regulations.

(b) Takeda will not adulterate or misbrand the Products and Samples within the meaning of the United States Food, Drug and Cosmetic Act or any regulation hereunder.

Article 6 ORDERS AND FORECASTS

6.1 Undertaking.

RTU, directly or through RTU Contractors (subject to receipt of any required approvals of Regulatory Authorities), will Manufacture, Package and ship the Product and Samples to Takeda, directly or, if applicable, to Takeda Affiliates and/or its sublicensees, by the delivery dates and in the quantities specified by Takeda in purchase orders submitted in accordance with this Article 6.

6.2 Forecasts.

At least [**] prior to each calendar quarter, Takeda will provide RTU (and a copy to SPI) with a written twenty-four (24) month rolling forecast of the quantities of Product and Samples that Takeda expects to purchase during each of the next twenty-four (24) months (the "Rolling Forecast"); provided, however, the first Rolling Forecast shall be attached hereto as Exhibit B. Each Rolling Forecast shall be non-binding except for the first [**] months thereof (the "Binding Forecast") which shall be firm and Takeda shall purchase from RTU no less than [**] percent ([**]%) of the quantities of the Product and the Samples contained in the Binding Forecast. RTU shall be obliged to fill Takeda's purchase orders for quantities of the Product and/or Samples up to [**] percent ([**]%) of the Binding Forecast. RTU will use its commercially reasonable efforts to supply Product and/or Samples in excess of [**] percent ([**]%) of the Binding Forecast. If, prior to the delivery of the next Rolling

Forecast, Takeda shall have cause to revise its purchase projections, Takeda will promptly provide RTU (and a copy to SPI) with a revised Rolling Forecast. If Takeda's right to commercialize the Product is terminated by reason of termination of this Agreement, the Collaboration and License Agreement or the Supply Agreement, Takeda shall not be obligated to purchase the quantity of the Product and/or Samples contained in the Binding Forecast.

6.3 Order Size

Takeda shall purchase its requirements for the Product and Samples from RTU in the standard order quantities of standard case lots (i.e. [**] per lot).

6.4 Shelf life of the Product

Products, when shipped to Takeda, shall not have an expiration date of less than [**] from the date of delivery; provided, however, that the shelf life approved by relevant Regulatory Authority is less than [**], such period shall be its shelf life [**], but shall not be less than [**].

6.5 Purchase Orders

Takeda will purchase the Product and Samples solely by written purchase orders (including non-verbal, electronic format), which must be consistent with Section 6.3 above. Takeda will submit each such written firm purchase order to RTU at least [**] in advance of the date specified in each purchase order for delivery of the Product and/or the Samples to Takeda (or, if applicable, to Takeda Affiliates and/or its sublicensees). Such firm orders shall show clearly (i) the quantity of the Product and/or the Samples, (ii) the delivery destination, and (iii) the required delivery date. RTU will provide written notice to Takeda of its receipt of a specific purchase order within five (5) business days of receipt thereof. The terms and conditions of this Agreement will be controlling over any conflicting terms and conditions in any such purchase order, RTU's acknowledgement form or any other form. Notwithstanding the foregoing, RTU will use its Best Efforts, but will not be obligated, to (i) meet any request of Takeda for delivery of the Product or the Samples to Takeda (or, if applicable, to Takeda Affiliates and/or its sublicensees) in less than [**] from the delivery date specified in purchase orders, and (ii) accommodate any changes requested by Takeda in delivery schedules for the Product and the Samples following RTU's receipt of purchase orders from Takeda. RTU is not entitled to accept verbal orders of any kind for the supply of the Product or the Samples hereunder.

6.6 Shipment.

The Product and Samples will be shipped to the one (1) location in the Initial Territory designated by Takeda in its purchase orders. RTU (or RTU Contractors) shall include with each shipment a copy of the documents required under Section 4.1, the bill of lading, and documents setting forth the quantity of the Product and Samples shipped, sufficient to allow for an accurate count of the quantity delivered. The Product and Samples will be shipped in accordance with DDP (INCOTERMS 2000) to the delivery destination designated by Takeda. Title to the Product and Samples shall pass from RTU to Takeda free and clear of any security interest, other lien or encumbrance at such time as they have been delivered to the delivery

destination designated by Takeda, and risk of loss of the Product and Samples shall pass from RTU to Takeda in accordance with DDP term (INCOTERMS 2000).

6.7 Inventory.

In addition to Article 5 of the Supply Agreement, RTU shall maintain an adequate level of inventory of the Product in accordance with the following:

(a) RTU shall maintain an adequate level of inventory of the Product to meet the requirements of Takeda as estimated in the Rolling Forecasts; provided, however, that Takeda shall provide RTU (and a copy to SPI) with information, in such format as reasonably requested by RTU, concerning the inventory of the Product maintained by Takeda (or, if applicable, Takeda Affiliates and/or its sublicensees) on at least a monthly basis.

(b) During the initial [**] period following Takeda's initial sales launch and, if any, launch of any Product with new therapeutic indication, respectively, RTU shall maintain, at its expense and at a location mutually agreed by the Parties, a safety stock of both (i) Product and (ii) Product in the form before final packaging (collectively, the "Safety Stock"). The quantity of both (i) and (ii) mentioned above shall be at least an amount equal to the quantity for the first [**] respectively, or, the latest [**] moving average of quantity in total of (i) and (ii) shall be at least an amount equal to the quantity for the first [**] subject that the quantity of (i) shall not be less than an amount equal to the quantity for the first [**] as indicated in Takeda's most recent Rolling Forecast. If RTU fills Takeda's purchase orders for quantities of Product and/or Samples in quantity larger than the Binding Forecast pursuant to Section 6.2 and consequently uses all or part of the required level of the Safety Stock temporarily, RTU shall use its Best Efforts to make up for the used quantity and to return the Safety Stock to the required level as soon as possible. As soon as reasonably practicable after the execution of this Agreement, RTU shall commence building the Safety Stock.

Article 7 INSPECTION AND REJECTION OF THE PRODUCT

7.1 Non-Conforming Product. Takeda (or, if applicable, Takeda Affiliates and/or its sublicensees) will visually inspect each shipment of Product and Samples supplied to it (or, if applicable, Takeda Affiliates and/or its sublicensees) hereunder to (i) determine whether such Product and/or Samples are damaged, (ii) verify that the quantity of Product and/or Samples delivered agrees with the invoice and other applicable documentation, and (iii) verify conformance with the Manufacturing Specifications and Applicable Regulations by reviewing documents included in the shipment (but Takeda shall have no obligation to test or study the contents of the Products). If Takeda finds damage, a deficiency in the quantity of the Product and/or Samples, or non-conformity with the Manufacturing Specifications and/or Applicable Regulations (hereafter referred to as a "Non-Conformity" or "Non-Conforming"), Takeda will notify RTU in writing within [**] after receipt of the applicable shipment specifying the details of such Non-Conformity. If the Non-Conformity of the Product and/or Samples is latent and hidden such that it cannot reasonably be found by visual inspection, then Takeda shall give notice to RTU regarding such latent Non-Conformity within [**] after such Non-Conformity comes to the knowledge of Takeda (or, if applicable, Takeda Affiliates and/or its sublicensees).

7.2 Replacement or Reimbursement. Upon receipt of any notice of Non-Conformity from Takeda, RTU shall, at Takeda's option, either (i) replace, at RTU's cost, the quantity of such Non-Conforming Product and/or Samples within the commercially reasonable shortest time, or (ii) reimburse Takeda for the cost of such Non-Conforming Product and/or Samples. Takeda's rights set forth in this Section 7.2 shall not be exclusive of, or prejudicial to, any other rights or remedies that Takeda may otherwise have on account of such Non-Conformity or RTU's breach of any of its obligations hereunder.

7.3 RTU's Obligations. RTU shall not be subject to the obligations as set forth in this Article 7 to the extent that any such damage, deficiency or Non-Conformity of the Product and/or Samples is due to Takeda's negligence after the receipt of them by Takeda.

Article 8 INABILITY TO SUPPLY

In the event that RTU (directly or through RTU Contractors) is unable for any reason to manufacture or supply sufficient quantities of the Compound or the Product hereunder to meet Takeda's, or if applicable Takeda Affiliate's and its sub-licensee(s)'s requirements for the Product and/or Samples in excess of [**] percent ([**]%) of the Binding Forecast in any given quarter, then RTU shall provide Takeda and SPI with immediate written notice thereof. The Parties shall negotiate in good faith how to cope with such shortage of supply, including the purchase by RTU of the necessary materials from third parties and the possibility of Takeda's Manufacturing of the Product and/or Samples.

Article 9 TERM AND TERMINATION

The term of this Agreement shall commence on the date first above written and shall continue in full force and effect until December 31, 2020. RTU hereby acknowledges and accepts that this Agreement may be terminated earlier than said termination date in case the Collaboration and License Agreement or the Supply Agreement terminates, in which case SPI and Takeda shall use commercially reasonable effort to provide RTU with a prior notice of such early termination, but in no event shall such notice be provided later than three (3) months prior to such termination. RTU shall accept such early termination upon receiving the notice from SPI and Takeda.

Article 10 MISCELLANEOUS

10.1 Applying the provisions of the Supply Agreement. The Parties hereby acknowledge and agree that the Supply Agreement shall remain effective, and its terms and conditions shall remain applicable among the Parties to the extent not particularly changed or amended by this Agreement.

10.2 Notices; Language. Except as may be otherwise provided in this Agreement, any notice, demand or request given, made or required to be made shall be in writing and shall be effective, unless otherwise provided herein, when received after delivery by (a) registered air mail, postage prepaid; (b) facsimile with electronic confirmation of receipt; or (c) a reputable international courier such as Federal Express or DHL at the addresses set forth below or to

any other address that a Party specifies pursuant hereto. All reports, notices and communications required or permitted hereunder shall be in the English language.

If to Takeda:	Takeda Pharmaceutical Company Limited. 12-10, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-8668, Japan Facsimile: 81-3-3278-2230 Attention: Shinji Honda, Senior Manager, US Operations, Corporate Strategy & Planning Department
If to SPI:	Sucampo Pharmaceuticals, Inc. 4733 Bethesda Avenue, Suite 450 Bethesda, Maryland 20814 United States Facsimile: 1-301-961-3440 Attention: Director of Business Development
If to RTU:	R-Tech Ueno, Ltd. 10F, Yamato Life Insurance Bldg., 1-1-7 Uchisaiwaicho Chiyoda-ku, Tokyo 100-0011 Japan Facsimile: 81-3-3596-8023 Attention: Ms. Yukiko Hashitera, Representative Director

10.3 Governing Law. This Agreement shall be governed by, and interpreted and construed in accordance with, the law of the State of New York, USA, excluding its choice of law rules and the U.N. Convention on the International Sale of Goods.

10.4 Entire Agreement. This Agreement, including Exhibits attached hereto and incorporated as an integral part of this Agreement, together with the Supply Agreement constitute the entire agreement of the Parties with respect to the subject matter hereof, and supersede all previous agreements by and among the Parties as well as all proposals, oral or written, and all prior or contemporaneous negotiations, conversations or discussions among the Parties related to this Agreement. Any differences between the text of certain provisions contained in both this Agreement and the Supply Agreement are intended for clarification purposes only and not to alter the original intent of the Parties.

Article 11 LIMITATION OF LIABILITY

EXCEPT FOR ANY BREACH OF CONFIDENTIALITY OBLIGATION, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTIES HEREUNDER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SIMILAR LOSSES OR DAMAGES, EVEN IF SUCH PARTIES SHALL HAVE BEEN

ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH POTENTIAL LOSS OR DAMAGE. IN ADDITION, SPI AND ITS AFFILIATES SHALL NOT BE LIABLE TO TAKEDA AND RTU IN THE EVENT THAT AN NDA IS NEVER ISSUED OR GRANTED OR NET SALES REVENUE ARE NEVER ACHIEVED.

NOTWITHSTANDING OF THE PRECEDING SENTENCES, LIMITATION OF LIABILITY PROVIDED FOR IN THIS ARTICLE SHALL NOT BE APPLICABLE WHERE LOSS OR DAMAGES ARE CAUSED BY WILFUL MISCONDUCT OR GROSS NEGLIGENCE OF EACH PARTY.

This Article shall supersede, to the extent that liability relating to subject matter of this Agreement of the Parties is concerned, any provisions concerning limitation of liability in the Supply Agreement or Collaboration and License Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day first above written,

Takeda Pharmaceutical Company Limited

By /s/ Yasuhiko Yamanaka
Name: Yasuhiko Yamanaka
Title: Corporate Officer
General Manager, Corporate Strategy
& Planning Department

Sucampo Pharmaceuticals, Inc.

By /s/ Brad E. Fackler
Name: Brad E. Fackler
Title: Vice President of Marketing and Sales

R-Tech Ueno, Ltd.

By /s/ Mitsunaga Tada
Name: Mitsunaga Tada
Title: President and Representative Director

Exhibits

A	Manufacturing Specifications
B	First 24-Month Rolling Forecast

Exhibit A Manufacturing Specifications

Confidential Materials omitted and filed separately with
the Securities and Exchange Commission.

Exhibit B **First 24-Month Rolling Forecast**

	Product Purchase Pills	Product Purchase Bottles	Sample Purchase Pills	Sample Boxes
Mar-06	[**]	[**]	[**]	[**]
Apr-06	[**]	[**]	[**]	[**]
May-06	[**]	[**]	[**]	[**]
Jun-06	[**]	[**]	[**]	[**]
Jul-06	[**]	[**]	[**]	[**]
Aug-06	[**]	[**]	[**]	[**]
Sep-06	[**]	[**]	[**]	[**]
4-9/06	[**]	[**]	[**]	[**]
Oct-06	[**]	[**]	[**]	[**]
Nov-06	[**]	[**]	[**]	[**]
Dec-06	[**]	[**]	[**]	[**]
Jan-07	[**]	[**]	[**]	[**]
Feb-07	[**]	[**]	[**]	[**]
Mar-07	[**]	[**]	[**]	[**]
10-3/06	[**]	[**]	[**]	[**]
2-3/06	[**]	[**]	[**]	[**]
Apr-07	[**]	[**]	[**]	[**]
May-07	[**]	[**]	[**]	[**]
Jun-07	[**]	[**]	[**]	[**]
Jul-07	[**]	[**]	[**]	[**]
Aug-07	[**]	[**]	[**]	[**]
Sep-07	[**]	[**]	[**]	[**]
4-9/07	[**]	[**]	[**]	[**]
Oct-07	[**]	[**]	[**]	[**]
Nov-07	[**]	[**]	[**]	[**]
Dec-07	[**]	[**]	[**]	[**]
Jan-08	[**]	[**]	[**]	[**]
Feb-08	[**]	[**]	[**]	[**]
Mar-08	[**]	[**]	[**]	[**]
10-3/07	[**]	[**]	[**]	[**]
4-3/07	[**]	[**]	[**]	[**]

Exhibit 10.25

Confidential Materials omitted and filed separately with the

Securities and Exchange Commission. Asterisks denote omissions.

SUPPLEMENTAL AGREEMENT

THIS SUPPLEMENTAL AGREEMENT (the "Supplemental Agreement") is made as of February 1, 2006, by and between **Sucampo Pharmaceuticals, Inc.**, a corporation organized under the laws of Delaware, having its principal place of business at 4733 Bethesda Avenue, Suite 450, Bethesda, Maryland 20814 USA ("SPI"), and **Takeda Pharmaceutical Company Limited**, a corporation organized under the laws of Japan, having its principal place of business at 1-1 Doshomachi 4-chome, Chuo-ku, Osaka 540-8645, Japan ("Takeda"). SPI and Takeda are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, the Parties entered into a Collaboration and License Agreement dated October 29, 2004 (the "Original Agreement"), whereby the Parties agreed, among other things, to collaborate on the development and commercialization of a compound known as SPI-0211 ("Lubiprostone") in accordance with the terms and conditions set forth therein; and

WHEREAS, Takeda Pharmaceuticals North America, Inc. is a sub-licensee of Takeda and has performed and will perform certain of Takeda's obligations under the Original Agreement and this Supplemental Agreement; and

WHEREAS, the Parties desire to enter into this Supplemental Agreement to supplement the Original Agreement by providing additional details and other terms regarding certain activities to be performed by the Parties pursuant to the Original Agreement;

NOW THEREFORE, in consideration of the premises and the mutual covenants set forth herein and in a Settlement Agreement dated as of January 31, 2006, by and between SPI and Takeda (the "Settlement Agreement"), the Parties have agreed as follows:

Article 1 DEFINITIONS

Capitalized terms not defined herein shall have the meanings ascribed to them in the Original Agreement.

The following terms shall have the meanings set forth below:

"External Costs" means reasonable and customary expenses charged by a third party to a Party to this Supplemental Agreement, and do not include a Party's internal expenses, such as labor, administrative, or overhead costs.

"Medical and Scientific Affairs ("M&SA")" and "Medical Marketing Activities" collectively mean the activities set forth in Annex 3 hereto.

"Phase IV Marketing Support Studies" means Phase IV Studies to the extent the data from such studies is not intended for the primary purpose of Regulatory Required Studies, Labeling Changes, Additional Indications or New Formulations.

Article 2 STANDARD OPERATING PROCEDURES RELATING TO CONFIDENTIAL INFORMATION

2.1 Standard Operating Procedures. For the protection of all Confidential Information (including, *inter alia*, Proprietary Product Information) that may be obtained or used in the course of the Commercialization of the Product, the Parties agree to comply, and to cause their Affiliates and sub-licensees to comply, with the standard operating procedures ("SOPs") set forth in Annexes 1 and 2 hereto, which SOPs are incorporated by reference herein.

Article 3 M&SA ACTIVITIES, MEDICAL MARKETING, KEY OPINION LEADER DEVELOPMENT AND OTHER ACTIVITIES

3.1 M&SA and Medical Marketing Activities.

(a) The Parties agree that, with respect to Medical and Scientific Affairs ("M&SA") and Medical Marketing Activities, SPI and Takeda shall cooperate and collaborate with each other to manage and coordinate such activities. For M&SA and Medical Marketing Activities conducted after the execution of this Supplemental Agreement, the Parties shall fulfill their roles and responsibilities as set forth in greater detail in Annex 3 hereto (the "RACI Chart"), which is incorporated by reference herein. For purposes of the RACI Chart, the following terms have the meanings set forth below:

(i) the Party "responsible" for an activity shall mean the Party carrying out and conducting the listed activity;

(ii) the Party "accountable" for an activity shall mean the Party with ultimate decision-making authority for the listed activity;

(iii) the Party to be "consulted" about an activity shall mean the Party with whom issues and concepts about a given activity will be discussed and negotiated in good faith; and

(iv) the Party to be "informed" about an activity shall mean the Party who will be advised about a given activity, including the results of the activity.

(b) For M&SA and Medical Marketing Activities conducted by SPI after the execution of this Supplemental Agreement, Takeda shall reimburse SPI for all documented External Costs incurred, provided that such External Costs have been pre-approved by the "Article 3 Working Group" and are documented by third-party invoices. For purposes of this Article 3, the term "Article 3 Working Group" shall mean a working group consisting of two (2) members, with each Party designating one (1) member of the working group. For the avoidance of doubt, Takeda shall not be required to reimburse any External Costs the Article 3 Working Group has not pre-approved in writing prior to such External Costs being incurred.

(c) For M&SA and Medical Marketing Activities conducted by SPI prior to the execution of this Supplemental Agreement, Takeda shall reimburse SPI for all documented External Costs incurred for the following four activities, but in no event in an amount greater

than [**] Dollars and [**] Cents ($[**]) for the four activities combined: (i) Telluride Advisory Board; (ii) Chicago Advisory Board; (iii) February Advisory Board; and (iv) [**] percent ([**]%) cancellation fee for DDW. For the avoidance of doubt, the total amount to be paid by Takeda under this Section 3.1(c) shall not exceed the lesser of (i) the actual External Costs incurred by SPI relating to the four activities or (ii) [**] Dollars and [**] Cents ($[**]). SPI shall not be entitled to any additional reimbursement from Takeda for activities conducted prior to execution of this Supplemental Agreement.

(d) Takeda will retain overall responsibility for managing and coordinating M&SA and Medical Marketing Activities, and SPI shall fully cooperate and coordinate with Takeda in order to allow Takeda to manage such activities. Takeda will not be reimbursed by SPI for managing M&SA and Medical Marketing Activities.

(e) To the extent there are disagreements concerning any of the matters set forth in this Section 3.1, including any questions or disagreements concerning the meaning of, or responsibilities assigned or permitted by, the RACI Chart, or the absence of consensus between the members of the Article 3 Working Group regarding reimbursable External Costs, any such disagreements shall be presented to the Joint Commercialization Committee ("JCC") and resolved pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement. SPI shall submit to Takeda invoices for all amounts entitled to reimbursement under Section 3.1(b) of this Supplemental Agreement, along with documentation reasonably satisfactory to Takeda, including applicable invoices from third-party vendors, and Takeda shall make payment to SPI for External Costs incurred in compliance with this Section 3.1 within thirty (30) days after receipt of such invoice. SPI shall be responsible for making all payments to such third-party vendors.

3.2 Publication and Other Activities. In addition to the respective roles and responsibilities of the Parties set forth in the RACI Chart, the Parties hereby agree as follows:

(a) *Publications, Abstracts and Manuscripts*.

(i) During the [**] period following [**] (the "PDUFA Date"), SPI shall be responsible for the development of all publications, abstracts and manuscripts (collectively, "publications") directed primarily to a scientific audience, to the extent such publications refer to clinical trial or other study data on the Product; provided that each proposal for a publication shall be discussed in advance with Takeda, that Takeda's right to review, approve and/or comment on such publications prior to submission shall be governed by the SOPs set forth in Annex 2, and that publications shall be consistent with the overall publication plan approved by the JCC. Any disputes concerning publication plans shall be presented to the JCC and resolved pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement. Takeda shall reimburse SPI for all documented External Costs in connection with the following two publications, but in no event shall such reimbursement exceed [**] Dollars ($[**]) per publication: *Long-Term Safety of Lubiprostone in Patients with Occasional Constipation: Results of a 48-Week, Prospective, Multicenter, Open-Label, Safety Trial* and *Multicenter, Double-Blind, Randomized, Placebo-Controlled Trial of Lubiprostone in Patients With Occasional Constipation*. Takeda will also reimburse SPI for all documented External Costs incurred by SPI during such [**] period in connection with future publications to the extent

agreed in advance in writing by Takeda, with the specific amount of reimbursement to be agreed in advance as to each proposed publication.

(ii) As between SPI and Takeda, SPI shall own all intellectual property rights associated with publications developed by SPI pursuant to this Section 3.2(a), including but not limited to copyrights, patent rights and rights of authorship with respect to publications and their subject matter. SPI shall have approval rights regarding the author(s) to be listed in the publications it develops but shall consider in good faith Takeda's recommendations with respect to such authorship issues.

(iii) SPI shall submit to Takeda invoices for all amounts entitled to reimbursement under this Section 3.2(a) along with documentation reasonably satisfactory to Takeda, including applicable invoices from third-party vendors, and Takeda shall make payment to SPI for expenses incurred in compliance with this Section 3.2(a) within [**] after receipt of such invoice. SPI shall be responsible for making all payments to such third-party vendors.

(iv) Nothing in this Section 3.2(a) shall prohibit Takeda from developing publications primarily concerning general disease states or quality-of-life issues rather than data derived from the Product's clinical development program, provided that such publications are developed in accordance with the SOPs set forth in Annex 2, and are subject to SPI's right to review, approve and/or comment on such publications prior to submission as set forth in Annex 2. Any dispute relating thereto shall be presented to the JCC and resolved pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement.

(v) After the expiration of the [**] period following the PDUFA Date, Takeda shall be primarily responsible for the development of publications described in Section 3.2(a)(i) above pursuant to the Original Agreement, provided that such publications are developed in accordance with the SOPs set forth in Annex 2.

(vi) Nothing in this Section 3.2, nor any publication, shall alter in any way SPI's ownership of the intellectual property rights associated with the Product.

(b) *Continuing Medical Education ("CME") and Investigator Initiated Trials.* Takeda will be responsible for planning and managing all CME strategies and programs, in consultation with SPI. Takeda shall provide all funding relating to CME programs, grants and investigator initiated trials relating to the Product. SPI shall be recognized as a co-sponsor of such activities. Any disputes relating to CME strategies and programs shall be presented to the JCC and resolved pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement.

(c) *Medical/Regulatory/Legal Review.* Takeda shall have approval authority for all promotional, sales training and related materials to be used by either Party, regardless of their format or intended use. SPI will be provided an opportunity to review and comment on all such materials in accordance with the SOPs set forth in Annex 4, with which the Parties agree to comply and which are incorporated by reference herein.

(d) *Speaker Bureaus.* Takeda shall have responsibility for managing and conducting all speaker bureau programs. Takeda will consult with SPI regarding strategies and plans for such programs. Any disputes regarding such strategies shall be presented to the JCC and resolved

pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement.

(e) *Press Releases*. The Parties agree to comply, and to cause their Affiliates and sub-licensees to comply, with the SOPs relating to press releases, which SOPs are set forth in Annex 5 hereto and are incorporated herein by reference.

Article 4 SAFETY MONITORING AND POST-MARKETING SURVEILLANCE

4.1 Safety Monitoring.

(a) Safety monitoring and Post-Marketing Surveillance activities relating to the Product shall be conducted as follows: [**] shall be utilized as the telephone call center for the Product at the expense, and under the management, of Takeda. [**], doing business as [**], shall be utilized as the vendor for purposes of adverse event reporting to the FDA, under the management of SPI. All calls, including safety-related calls, Product-related calls, or any other general calls, shall first be received by [**] (or, if applicable, forwarded to [**] by Takeda and/or SPI) and categorized by [**]. All safety-related calls shall be forwarded to [**], using an adverse-event form developed by SPI and [**] and approved by Takeda. Product complaint requests shall be sent to SPI for resolution. SPI shall have the right to access all records of calls received by [**] related to the Product, regardless of whether or not the call is safety-related.

(b) The Parties agree to comply with the SOPs set forth in Annex 6, and incorporated by reference herein, relating to safety monitoring, safety data, postmarketing activities, and clinical trial activities.

(c) In connection with the performance of SPI's obligations under Section 4.1 of this Supplemental Agreement, Takeda shall reimburse SPI for amounts due to [**], provided that such costs are reasonable, customary, documented, and consistent with this Section 4.1, and provided further that SPI shall not be entitled to reimbursement for [**] start-up and implementation costs, such as costs relating to equipment and other infrastructure. The terms of any agreement between SPI and [**] entered into before the date of this Supplemental Agreement, including fees, discounts, rebates and other charges, if any, shall be disclosed to Takeda. The terms of any other agreement between SPI and [**] entered into during the term of this Supplemental Agreement shall be disclosed to Takeda and shall be subject to Takeda's prior, written approval, which approval shall not unreasonably be withheld. Any and all amounts due to SPI from Takeda pursuant to this Section 4.1 shall be invoiced by SPI and shall be paid by Takeda within thirty (30) days of invoice receipt. In the event that Takeda disputes any portion of an invoice, Takeda shall promptly notify SPI in writing and both Parties shall cooperate and negotiate in good faith to resolve the matter promptly. To the extent there are any changes to the invoiced amount, SPI shall send a revised invoice to Takeda, which shall be paid by Takeda within thirty (30) days of the receipt thereof.

Article 5 PHASE IV MARKETING SUPPORT STUDIES AND NON-CLINICAL RESEARCH STUDIES

5.1 Management of Phase IV Marketing Support Studies. The JCC shall be responsible for the overall strategic direction of all Phase IV Marketing Support Studies (excluding studies proposed, conducted and managed by an investigator for which an entity other

than SPI, Takeda, or their agents is the study sponsor ("Investigator Initiated Trials")). SPI or Takeda shall first propose a study synopsis, business rationale, budget and timeline of Phase IV Marketing Support Studies to the JCC, and the JCC, after evaluating such information, shall decide whether the proposed Phase IV Marketing Support Studies shall be conducted pursuant to Section 5.1(c) of the Original Agreement. If a study is approved by the JCC, then SPI or Takeda, as the case may be, shall propose a draft protocol to the JDC, and the JDC shall evaluate and finalize the draft protocol. With respect to any such protocol approved by the JDC, Takeda may, in its sole discretion, designate SPI or other entities, including Takeda Global Research and Development Center, Inc., to carry out the related Phase IV Marketing Support Studies. In accordance with Section 4.2(b)(vi) of the Original Agreement, Takeda shall fund all costs for Phase IV Marketing Support Studies approved by the JCC and the JDC. Any disputes concerning Phase IV Marketing Support Studies shall be presented to the JCC and resolved pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement.

For the avoidance of doubt, any studies falling under the categories of Regulatory Required Studies, Labeling Changes, Additional Indications or New Formulations shall be managed in accordance with Section 4.2 of the Original Agreement, subject to go/no-go decisions by the JCC pursuant to Section 5.1(c) of the Original Agreement with regard to Labeling Changes, Additional Indications and New Formulations.

5.2 Non-Clinical Research Studies. SPI shall be responsible for the management of all SPI-initiated non-clinical research studies, excluding Investigator Initiated Trials as defined in Section 5.1 above, subject to review and approval of study proposals by the JCC. Takeda shall reimburse SPI for all documented External Costs (net of discounts and rebates) and reasonable and customary Development costs incurred by SPI in connection with the research studies set forth in Annex 7 hereto. In addition, Takeda shall reimburse SPI for all External Costs and reasonable and customary Development costs incurred by SPI in connection with other non-clinical research studies, provided such studies involve the Initial Indications and have been approved for reimbursement by the JCC after submission by SPI of a study synopsis, business rationale, budget and timeline. For purposes of this Section 5.2, reimbursement of Development costs shall be determined in accordance with Annex 8 hereto. Provided that there is no dispute as to the amounts contained therein, Takeda shall pay SPI within thirty (30) business days after its receipt of invoices from SPI, including supporting documentation reasonably satisfactory to Takeda. Any disputes concerning non-clinical research studies shall be presented to the JCC and resolved pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement.

5.3 Phase IV Marketing Studies and Non-Clinical Research Studies SOPs. The Parties shall comply with the SOPs set forth in Annex 9 hereto relating to the management of Phase IV Marketing Support Studies and non-clinical research studies, which SOPs are hereby incorporated by reference herein.

Article 6 SALES FORCE STRUCTURE AND REIMBURSEMENT

6.1 Takeda Sales Force. Takeda shall retain or employ a dedicated sales force of two hundred (200) persons (subject to customary and normal vacancies) whose primary sales activities shall be to target high-prescribing gastroenterologists and primary care physicians for

the promotion of the Product. Takeda also agrees to utilize the five hundred (500)-person PSS sales force that is currently promoting the product Rozerem, or a sales force of comparable effort ("Takeda Supplemental Sales Force"), to promote the Product in the secondary position. If a Negative Event has occurred, the Parties shall negotiate the effects, if any, of the Negative Event on the obligations in this Section 6.1, taking into account all relevant market circumstances, including without limitation actual initial sales of the Product, sales potential, Product acceptance by healthcare professionals and availability of competing products. Any disagreements concerning the effect of the Negative Event shall be presented to the JCC and resolved pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement. If a Negative Event occurs during the [**] immediately following the execution of this Supplemental Agreement, Takeda's obligations with respect to the Takeda Supplemental Sales Force shall continue and shall not terminate at least until the expiration of the [**] period. Nothing in this Section 6.1 or any other provision of this Supplemental Agreement shall affect in any manner the Parties' rights under Section 5.3(h) of the Original Agreement, and such rights are expressly preserved. Takeda shall bear the costs of the sales activities described in this Section 6.1.

6.2 SPI Sales Force.

(a) SPI shall employ a sales force of approximately thirty-eight (38) representatives (the "Supplemental Sales Force") to supplement Takeda's sales activities, which Supplemental Sales Force must be deployed exclusively to institutional customers (hospitals/Veterans Administration facilities/long-term care facilities), unless otherwise agreed by the Parties in writing. Should SPI use the Supplemental Sales Force for any products other than the Product, the Product must always be in the primary position, and no more than one additional product may be detailed. SPI, at its cost, shall be responsible for any customized promotional materials for use with institutional customers. Detailed plans, strategies and arrangements for the SPI sales activities shall be presented to the JCC for approval, and any disputes regarding such plans, strategies and arrangements shall be resolved pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement.

(b) In lieu of the payments set forth in Section 5.4 of the Original Agreement, Takeda shall pay SPI [**] Dollars [**] ($[**]) per representative per day (the "Reimbursement Amount") for the sales activities set forth in Section 6.2(a) above. Reconciliation will be conducted on a monthly basis. Takeda's reimbursement of SPI for such sales activities will be based on the number of representatives utilized by SPI each day and under no circumstances will such reimbursement exceed [**] Dollars ($[**]) per month, nor exceed [**] Dollars ($[**]) per twelve (12)-month period following the first date that SPI deploys sales representatives in the field. Takeda's reimbursement of SPI for sales activities pursuant to Section 6.2(a) above, and pursuant to the Reimbursement Amount and limits set forth in this Section 6.2(b), shall continue for sixty (60) months following the first date that SPI deploys sales representatives in the field. Subject to the conditions specified in this Section 6.2, Takeda shall reimburse SPI on a monthly basis within [**] after receipt of invoices from SPI. Reimbursement will be calculated based on a representative's actual working days in the field (*i.e.*, excluding vacation, holidays, and days in training or meetings), which must be documented. For the avoidance of doubt, and by way of example, if SPI were to deploy only twenty-five (25) representatives in the field on a given day, reimbursement for that day would be $[**] (25 x $[**]); if SPI were to deploy a given

representative in the field for only fifteen days in a particular month, reimbursement for that representative for the month would be $[**] (15 x $[**]).

(c) SPI may increase the number of representatives beyond the thirty-eight (38) referred to in Section 6.2(a) above only if the JCC unanimously approves of such expansion. Should the JCC approve of such expansion, the additional sales representatives ("Additional Sales Force") will be reimbursed at a rate of [**] Dollars ($[**]) per PDE pursuant to the Original Agreement, provided, however, that if the Additional Sales Force is deployed to institutional customers (as defined in Section 6.2(a), above), reimbursement will be at the rate of [**] Dollars [**] ($[**]) per actual working day in the field, as defined in Section 6.2(b) above. In no event may the total reimbursement for the Additional Sales Force exceed [**] Dollars ($[**]) per twelve (12)-month period.

(d) Takeda will reimburse SPI for samples for institutional customers, but only to the extent that the cost of such samples together with the amount of reimbursement of SPI's Supplemental Sales Force does not exceed [**] Dollars ($[**]) for the twelve (12)-month period following the first date that SPI deploys sales representatives in the field and for each successive twelve (12)-month period. At the conclusion of the twenty-four (24) month period following the first date that SPI deploys sales representatives in the field, the Parties may consider renegotiating the provisions in this Section 6.2(d) regarding the cost of samples for institutional customers. Reimbursement for samples for any SPI sales activities unrelated to institutional customers (to the extent such activities are approved by the JCC) will be governed by the Original Agreement.

(e) Takeda's total payments to SPI for SPI sales activities, including reimbursement for SPI's Supplemental Sales Force and Additional Sales Force sales force for institutional and any other customers, and the cost of samples, shall not exceed [**] Dollars ($[**]) for the [**] period following the first date that SPI deploys sales representatives in the field and for each successive [**] period thereafter, throughout the term of the Original Agreement.

(f) At the conclusion of sixty (60) months following the first date that SPI deploys sales representatives in the field, if the Parties, after negotiation, have failed to agree on an extension to the terms in Section 6.2(a) to (e) above, SPI's co-promotion rights shall revert to the terms in the Original Agreement.

(g) Notwithstanding any other provision in this Section 6.2, if a Negative Event has occurred, the Parties' obligations under this Section 6.2 shall terminate [**] after execution of this Supplemental Agreement. During such [**] period, the Parties shall negotiate the effects, if any, of the Negative Event on the obligations in this Section 6.2, taking into account all relevant market circumstances, including without limitation actual initial sales of the Product, sales potential, Product acceptance by healthcare professionals and availability of competing products. Any disagreements concerning the effect of the Negative Event shall be presented to the JCC and resolved pursuant to the provisions of the Original Agreement, including Section 3.1 of the Original Agreement.

6.3 Promotional Compliance. Each of SPI and Takeda may only use promotional and sales training and related materials that have been approved in accordance with Section 3.2(c) above. The Parties further agree that in promoting the Products they will comply with any

laws and regulations applicable to the marketing, sale and promotion of pharmaceutical products (including without limitation the Prescription Drug Marketing Act, Federal Health Care Program Anti-Kickback Law (42 U.S.C. §1320a-7b) and the Health Insurance Portability and Accountability Act of 1996), the Code on Interactions with Healthcare Professionals promulgated by the Pharmaceutical Research and Manufacturers of America and the American Medical Association Guidelines on Gifts to Physicians, as any of the foregoing may be amended, and the terms of the Original Agreement and this Supplemental Agreement. No Party shall be required to undertake any obligation, or incur any cost or reimbursement obligation, in connection with any activity under this Supplemental Agreement that such Party believes, in good faith, may violate any applicable law, regulation code or guidance. Consistent with recent guidance in the pharmaceutical industry promulgated by the Office of Inspector General of the Health and Human Services Department on April 28, 2003, each Party agrees to maintain a compliance program with respect to its promotional and sales activities pursuant to this Supplemental Agreement containing all of the elements described in such guidance document.

Article 7 TERM

7.1 Term. The term of this Supplemental Agreement shall be coextensive with the term of the Original Agreement and shall terminate automatically without further action by either Party upon the termination of the Original Agreement.

Article 8 MISCELLANEOUS

8.1 Affiliates.

(a) The Parties agree that Takeda, directly or through its sub-licensee Takeda Pharmaceuticals North America, Inc. ("TPNA"), may contract with Takeda Pharmaceuticals America, Inc. ("TPA"), Takeda Global Research and Development Center, Inc. ("TGRD Inc."), Takeda Global Research and Development Centre, Ltd. ("TGRD Ltd."), and, subject to the prior written approval of SPI, any other Affiliate of Takeda, for the performance of any of its obligations under, or the activities contemplated in, the Original Agreement or this Supplemental Agreement, including the Annexes hereto, or any activities related thereto, provided (1) that each such Affiliate (including TPA, TGRD Inc. and TGRD Ltd.) shall first consent in writing to comply with the provisions of the Original Agreement and this Supplemental Agreement, including the Annexes hereto, and including the confidentiality obligations and provisions of Section 11.3 of the Original Agreement; (2) that any such contracting by Takeda shall not relieve Takeda's duty to perform, either directly or through Affiliates, the obligations and the activities contemplated in the Original Agreement and this Supplemental Agreement, including the Annexes hereto, and any activities related thereto; and (3) that each such Affiliate (including TPA, TGRD Inc. and TGRD Ltd.) shall comply with the provisions of Article 7.6 of the Original Agreement. SPI shall be entitled to a financial audit, to be conducted by an independent certified public accountant pursuant to Section 7.6 of the Original Agreement *mutatis mutandis*, of TPNA, TPA, TGRD Inc., TGRD Ltd., and any other Affiliate of Takeda with whom Takeda proposes to contract for the performance of any of its obligations under, or the activities contemplated in, the Original Agreement or this Supplemental Agreement, including the Annexes hereto, or any activities related thereto, which audit shall be limited in scope to (a) establishing the good standing of Takeda's Affiliates and (b) establishing and understanding the entity structure and revenue flow among Takeda and its Affiliates as such structure and revenue flow pertains to the

computation of Net Sales Revenue. The financial audit authorized by this Section 8.1 shall be in addition to any audit authorized by Section 7.6 of the Original Agreement.

(b) Takeda represents and warrants (1) that each of TPNA, TPA, TGRD Inc. and TGRD Ltd. is a direct or indirect wholly-owned subsidiary of Takeda; (2) that Takeda shall ensure that each of the Affiliates with whom it contracts, including, but not limited to, TPNA, TPA, TGRD Inc. and TGRD Ltd., shall be informed of, agree to comply with, and will comply with the provisions of the Original Agreement and this Supplemental Agreement, including the Annexes hereto, and including the confidentiality obligations and provisions of Section 11.3 of the Original Agreement; and (3) that each of the Affiliates with whom it contracts, including, but not limited to, TPNA, TPA, TGRD Inc. and TGRD Ltd., is a corporation duly organized, validly existing and is in good standing under the laws of the jurisdiction of its incorporation and is qualified to do business in each jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification and in which failure to have such would prevent it from performing its obligations, or the activities contemplated in, the Original Agreement or this Supplemental Agreement, including the Annexes hereto, or any activities related thereto.

8.2 Entire Agreement. This Supplemental Agreement, including the Annexes attached hereto and incorporated as an integral part of this Supplemental Agreement, and the Settlement Agreement, constitute the entire agreement of the Parties solely with respect to the specific undertakings contained in the Supplemental Agreement, including the Annexes, and the Settlement Agreement, and supersede all previous agreements by and between the Parties as well as all proposals, oral or written, and all prior or contemporaneous negotiations, conversations or discussions between the Parties with respect to the specific undertakings contained in the Supplemental Agreement, including the Annexes, and the Settlement Agreement.

8.3 Limited in Scope. This Supplemental Agreement is limited as specified and shall not constitute modification, acceptance or waiver of any provision of the Original Agreement except as explicitly and specifically stated herein. Any aspect of Commercialization not specifically set forth in this Supplemental Agreement shall continue to be governed by the JCC as specified in the Original Agreement, including resolution of disputes pursuant to Section 3.1 of the Original Agreement. To the extent there are inconsistencies between the specific undertakings contained in this Supplemental Agreement and the terms of the Original Agreement, the specific undertakings contained in this Supplemental Agreement shall govern. The Original Agreement shall continue in full force and effect, except to the extent modified by specific undertakings agreed to herein. For the avoidance of doubt, all terms in the Original Agreement relating to a Negative Event remain in full force and effect and are not modified by this Supplemental Agreement.

8.4 Assignment. Except as provided in Section 8.1, neither Party shall have the right to assign or otherwise transfer its rights and obligations under this Supplemental Agreement except with the prior written consent of the other Party. This Supplemental Agreement shall inure to the benefit of the Parties hereto and any permitted assignees. Any prohibited assignment shall be null and void.

8.5 Notices; Language. Except as may be otherwise provided in this Supplemental Agreement, any notice, demand or request given, made or required to be made shall be in writing and shall be effective, unless otherwise provided herein, when received after delivery by (a)

registered air mail, postage prepaid; (b) facsimile with electronic confirmation of receipt; or (c) a reputable international courier such as Federal Express or DHL at the addresses set forth below or to any other address that a Party specifies in writing. All reports, notices and communications required or permitted hereunder shall be in the English language.

If to Takeda:

Takeda Pharmaceutical Company Limited
1-1, Doshomachi 4-chome
Chuo-ku, Osaka 540-8645 Japan

Facsimile: 81-6-6204-2328
Attention: General Manager, Licensing Department

and

Takeda Pharmaceuticals North America, Inc.
475 Half Day Road
Lincolnshire, Illinois 60069
Facsimile: 847-383-3481
Attention: General Counsel

If to SPI:

Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue, Suite 450
Bethesda, Maryland 20814
United States

Facsimile: 301-961-3440
Attention: Chief Executive Officer

8.6 Governing Law. This Supplemental Agreement shall be governed by, and interpreted and construed in accordance with, the law of the State of New York, USA, excluding its choice of law rules and the U.N. Convention on the International Sale of Goods.

8.7 Amendment. This Supplemental Agreement may not be modified or amended, in whole or in part, except by written agreement signed by both Parties.

8.8 Severability. If one or more of the provisions of this Supplemental Agreement is subsequently declared invalid or unenforceable, this Supplemental Agreement shall be treated as though that provision were not in this Supplemental Agreement, and this shall not affect the validity or enforceability of the remaining provisions of this Supplemental Agreement (unless those provisions that are invalidated or unenforceable are clearly material and inseparable from the other provisions). The Supplemental Agreement as modified shall be applied and construed to reflect substantially the good faith intent of the Parties and to achieve the economic effects originally intended by the terms hereof.

8.9 Counterparts. This Supplemental Agreement shall be executed in two or more counterparts, and each such counterpart shall be deemed an original hereof.

8.10 Waiver. No failure by either Party to take any action or assert any right hereunder shall be deemed to be a waiver of such right in the event of the continuation or repetition of the circumstances giving rise to such right.

8.11 No Limitation of Damages. No payments or agreements to pay under this Supplemental Agreement shall in any way preclude or limit the rights of either Party to seek the full recovery of its damages, or to seek equitable relief, for breach of this Supplemental Agreement or the Original Agreement by the other Party, except to the extent that the claim under which the Party seeks damages or equitable relief has been specifically released pursuant to the Settlement Agreement.

8.12 Right of Audit Relating to Invoices. If there are disputes concerning amounts invoiced by SPI to Takeda, Takeda shall have the right to audit and inspect any and all SPI documentation specifically pertinent to and necessary for the auditing of such invoiced amounts, including, but not limited to, documentation relating to services provided by third parties. Takeda shall bear costs relating to such audit. For the avoidance of doubt, nothing in this Section 8.12 shall limit the scope or frequency of Takeda's right to audit or otherwise inspect records of SPI or Sentrx relating to safety monitoring pursuant to Annex 5 hereto.

* * *

IN WITNESS WHEREOF, the Parties have caused this Supplemental Agreement to be executed as of the date first above written.

Takeda Pharmaceutical Company Limited

By /s/ Yasuchika Hasegawa
Name: Yasuchika Hasegawa
Title: President and Chief Operating Officer

Sucampo Pharmaceuticals, Inc.

By /s/ Sachiko Kuno
Name: Sachiko Kuno, PhD
Title: President and Chief Executive Officer

ANNEX 1: IP and Confidential Information Disclosure SOPs

TITLE: Standard Operating Procedure ("SOP") regarding Disclosure and Handling of Confidential Information (including Proprietary Product Information) between Sucampo Pharmaceuticals, Inc. ("SPI"), Takeda Pharmaceuticals Company Limited ("TPC") and its Affiliates, including Takeda Pharmaceuticals North America, Inc. ("TPNA") (TPC and its Affiliates, collectively "Takeda")

Effective Date: January 31, 2006

Supersedes: N/A

VERSION: 1

PURPOSE: To establish the procedures between SPI and Takeda for the handling and disclosure to third parties of Confidential Information (including Proprietary Product Information) under the Collaboration and License Agreement between SPI and Takeda dated October 29, 2004 ("Collaboration and License Agreement"). Nothing contained in this SOP shall be deemed to modify or amend any provision of the Collaboration and License Agreement or the Agreement among SPI, Takeda and SAG dated October 29, 2004.

RESPONSIBILITIES: Each company is responsible for ensuring that its own employees who have access to Confidential Information, and the employees of its Affiliates who have access to Confidential Information, read, understand and comply with this SOP.

PROCEDURES

Prior to entering into an agreement with third parties pursuant to which Confidential Information of the other Party will be disclosed to such third parties (which disclosure shall be subject to Article 11 of the Collaboration and License Agreement), Takeda or SPI, as applicable, shall notify the other Party regarding the purpose of such agreement and the nature of the Confidential Information to be disclosed. Such third parties shall include but are not limited to vendors, consultants, Key Opinion leaders (KOLs) and medical writers. Such third parties shall not

include Affiliates of a Party that are engaged in activities related to satisfying such Party's obligations under the Collaboration and License Agreement, subject to, in the case where such entity does not meet the definition of "Affiliate" in the Collaboration and License Agreement, the existence (and disclosure to the other Party) of an agreement between the Party and Affiliate containing appropriate confidentiality obligations. In the case where an Affiliate of a Party shall perform any obligations of such Party under the Collaboration and License Agreement, such Affiliate shall first consent in writing to comply with the SOP described herein prior to the performance of such obligations.

Within 5 business days of receipt of such information regarding such third party, Takeda or SPI, as applicable, shall notify the other Party in writing of any concerns or questions relating to the proposed disclosure of Confidential Information to such third party and the reasons for such concerns or questions.

If, within such 5-day period, Takeda or SPI, as applicable, does not notify the other Party of any concerns or questions relating to the proposed disclosure of Confidential Information to such third party, then Takeda or SPI, as applicable, will be free to disclose to such Third Party the Confidential Information under the terms of standard confidentiality provisions.

If, within such 5-day period, Takeda or SPI, as applicable, notifies the other Party of its concerns or questions relating to the proposed disclosure of Confidential Information to such third party, then the Parties shall promptly discuss such concerns or questions and seek a reasonable solution. If the Parties are unable to agree on a solution within 3 business days of such discussion, then the matter shall be discussed and negotiated in good faith by the CEO of TPNA and the CEO of SPI. If the CEOs after one business day remain unable to resolve the dispute, then the matter shall be resolved by a neutral arbitrator from a JAMS panel selected by the Parties, or by JAMS if the Parties are unable to agree on the selection. The Parties shall brief the arbitrator on the background of the relevant agreements in advance, and the arbitrator shall decide any such disputes, which decision shall be final and binding, within 3 business days following a failure of the CEOs to reach an agreement. For purposes of this paragraph 4, the issues to be decided in any dispute over a proposed disclosure are (1) whether the scope of the Confidential Information to be disclosed exceeds what is necessary for the performance of the vendor's duties and (2) whether the need to disclose the Confidential Information is outweighed by the need to protect Intellectual property rights; in no event may an objection to disclosure be based on general dissatisfaction with the vendor's services.

It shall be further noted that under no circumstance shall Takeda disclose the entire New Drug Application (NDA) to any third party without SPI's prior written consent.

In cases where the same Confidential Information is to be disclosed to multiple third parties performing substantially the same activity, the procedures outlined above shall be followed and completed with respect to each such third party Following the completion of such procedures, Takeda or SPI, as applicable, shall provide prior notification to the other Party of each third party to whom the same Confidential Information is to be disclosed in connection with the performance of substantially the same activity, and Takeda or SPI, as applicable, shall be free to disclose to such Third Party the Confidential Information under the terms of standard confidentiality provisions.

DEFINITIONS

Confidential Information: Confidential Information shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement, subject to the provisions of Article 11 of the Collaboration and License Agreement.

Proprietary Product Information: Proprietary Product Information shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement. For the avoidance of doubt, Proprietary Product Information includes, with respect to a Product, New Drug Application (NDA). Investigational Drug Application (IND), Drug Master File (DMF), Investigator Brochure (IB) and any Product information contained in SPI pending, non-published patent applications.

Other: Any capitalized terms not defined in this SOP shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement.

ANNEX 2: Publication SOPs

TITLE: Standard Operating Procedure (“SOP”) regarding publications, abstract and manuscript development between Sucampo Pharmaceuticals, Inc. (“SPI”), Takeda Pharmaceutical Company Limited (“TPC”) and TPC’s Affiliates, including Takeda Pharmaceuticals North America, Inc. (“TPNA”) (TPC and its Affiliates, collectively “Takeda”)

Effective Date: January 31, 2006

Supersedes: N/A

VERSION: 1

PURPOSE: To establish the procedures between SPI and Takeda regarding the development of publications, abstracts and manuscripts and maintaining the confidentiality of Confidential Information (including Proprietary Product Information) under the Collaboration and License Agreement between SPI and Takeda dated October 29, 2004 ("Collaboration and License Agreement"). Nothing contained in this SOP shall be deemed to modify or amend any provision of the Collaboration and License Agreement or the Agreement among SPI, Takeda and SAG dated October 29, 2004.

RESPONSIBILITIES: Each company is responsible for ensuring that its own employees who have access to Confidential Information, and the employees of its Affiliates who have access to Confidential Information, read, understand and comply with this SOP.

PROCEDURES:

SPI and Takeda, as applicable, will prepare and/or oversee draft publications, abstracts and manuscripts in collaboration with consultants, Key Opinion Leaders (KOLs) and vendors in accordance with the requirements of the Commercialization Plan, subject to Section 3.2 of the Supplemental Agreement between SPI and Takeda dated January 31,2006 ("Supplemental Agreement").

Takeda will submit drafts it prepares and/or oversees to SPI for IP review prior to circulation to any third party other than an outside author or such vendor as may be assisting Takeda in the preparation of the draft. Such review will be completed within 5 business days after receipt of such drafts. In addition, SPI will review drafts it prepares and/or oversees for IP review prior to circulation to any third party other than an outside author.

The Party that prepared the initial draft (the "Drafting Party") will then submit such drafts to the other Party for content review, which review shall be completed within 7 business days after receipt of such drafts.

The Drafting Party will discuss the comments of the other Party with the other Party and shall incorporate the comments from the other Party, as appropriate, into a revised draft. The revised draft shall then be submitted to any outside author(s) for content review. Such outside author(s) shall provide comments within 7 business days.

The Drafting Party shall incorporate the comments from the outside author(s), as appropriate, into a final draft. The Drafting Party will then circulate the final draft to the other Party for review, which review will be completed within 5 business days of receipt of such final draft.

With respect to final drafts prepared by SPI, Takeda shall approve the final draft in writing unless Takeda reasonably determines that the final draft, if published, would be significantly detrimental to the commercialization strategies and messages approved by the JCC. With respect to final drafts prepared by Takeda, SPI shall approve the final draft unless SPI's Chief Scientific Officer reasonably determines that approval should be withheld on scientific grounds in light of generally accepted medical and/or scientific publication practices.

In the event approval is withheld, the Party declining approval shall provide comments and suggested modifications to the Drafting Party, and shall discuss the reasons for withholding approval and the suggested modifications and comments with the Drafting Party. The Drafting Party may then submit a revised final draft for review and approval in accordance with step 5.

No Party shall submit draft publications, abstracts or manuscripts for publication without the other Party's approval. In the case of drafts prepared by Takeda, the approval must be in writing from SPI's Chief Scientific Officer or his designee (provided such designation is made in writing by SPI's Chief Scientific Officer). For the avoidance of doubt, no information in a publication, abstract or manuscript that has received such final written approval and has been published (i.e., in the public domain) shall be considered to contain Confidential Information.

The Drafting Party will submit approved publications, abstracts and manuscripts to relevant congresses and journals in accordance with the requirements of the Commercialization Plan, subject to Section 3.2 of the Supplemental Agreement.

Investigator initiated trials (IITs) will receive only study drug and/or funding and will not receive any Confidential Information (including Proprietary Product Information). Therefore, such publications will not be subject to the procedures outlined in this SOP; provided, however, a party's contract for an IIT shall contain provisions providing for prior review of proposed publications to identify and protect any Confidential Information and/or intellectual property of a party.

In the event that an Affiliate of a Party shall perform any obligations of such Party under the Collaboration and License Agreement relating to the subject matter described herein, such

Affiliate shall first consent in writing to comply with the SOP described herein prior to the performance of such obligations.

DEFINITIONS

Confidential Information: Confidential Information shall have the same meaning as set forth in Article I of the Collaboration and License Agreement, subject to the provisions of Article 11 of the Collaboration and License Agreement.

Proprietary Product Information: Proprietary Product Information shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement. For the avoidance of doubt, Proprietary Product Information includes, with respect to a Product, New Drug Application (NDA), Investigational Drug Application (IND), Drug Master File (DMF), Investigator Brochure (IB) and any Product information contained in SPI pending, non-published patent applications.

Other: Any capitalized terms not defined in this SOP shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement.

ANNEX 3: RACI Chart

Purpose of this Document

- Identify roles and responsibilities of Sucampo (SPI) and Takeda (TPNA) for Amitiza marketing activities
- Define efficient and effective strategies and processes that maximize Amitiza's market potential
- Leverage knowledge and experience of Sucampo and Takeda
- Consider resource constraints of each company
- Consider efficiency of the implementation

Activity and RACIS Defined

- For all activities, responsibilities are described based on the RACIS framework:
  - (R)esponsible: Party carrying out the activities, the “do-er”
  - (A)ccountable: Party deciding on the activities, with final decision making authority
  - (C)onsulted: Party consulted with and verifies concepts
  - (I)nformed: Party informed about the results of the activity
- A company can have multiple responsibilities

Activity	SPI	TPNA
Sample Activity	A/R	C

Activity Description

- Each activity is defined by its Strategy and Execution.
- Roles and responsibilities are assigned for each

- Activities as described
- Joint decision making as outlined before
- Activities described

Activities Included (1 of 3)

- Message Development
- KOL Identification
- National Ad Boards to Support Commercial Activities
- Regional Ad Boards to Support Commercial Activities
- Speaker Bureau (for Peer-to-Peer Promotion)
- Clinical Publications (during first 12 months post PDUFA*)
- Non-Clinical Publications
- Disease State / QoL Publications
- Exploratory Studies*
- FDA Required Studies*
- Post Marketing Studies*
- Medical Conventions and Association Meetings

Activities Included (2 of 3)

- Association Support
- RSM Management
- RSM Hiring & Staffing
- RSM Training
- Medical Information: Unsolicited Requests and Patient Inquiries
- Medical Information: Product Complaints
- Medical Information — Pharmacovigilance
- CME
- Educational Grants
- IIT — Support of Life Cycle Management
- IIT — Exploratory / Outside of LCM
- Health Outcomes / Quality of Life Research

Activities Included (3 of 3)

- Label Negotiations
- Med / Reg / Legal Review
- DDMAC Review and Submissions

Message Development

Activity	SPI	TPNA
Strategy Definition		
Market Research	C	A/R
Message Development	C	A/R
Execution		
Message Testing and Fine-Tuning	C	A/R
Marketing Material Creation	C	A/R
ROI Assessment for Market Material	C	A/R

KOL Identification

Activity	SPI	TPNA
Strategy Definition		
Develop KOL plan	C	A/R
Execution		
Develop KOL database	C	A/R
Establish selection criterion for national, regional and local KOLs	C	A/R
Conduct search to identify national and regional influencers	C	A/R
Develop key messages for contacts	C	A/R
Update KOL plan & database	C	A/R
Develop and manage KOL website	C	A/R
Management of official communication to National KOLs regarding commercial activities	C	A/R
Management of official communication to Regional & Local KOLs regarding commercial activities	C	A/R

National Ad Boards to Support Commercial **Activities**

Activity	SPI	TPNA
Strategy Definition		
Develop Ad board plan including timing, messages, and attendants	C	A/R
Define roles and responsibilities for contacting ad board members	C	A/R
Execution		
Development of scientific content for meetings	R	A/R
Manage Ad board logistics including meeting space, timing and vendor selection	C	A/R
KOL logistics including invitations, consulting agreements and travel	C	A/R
Content preparation including objectives, agenda and slide development	C	A/R
Execution of ad board including identification and management of vendors	C	A/R
Follow up with faculty members and other participants	C	A/R

Regional Ad Boards to Support Commercial Activities

Activity	SPI	TPNA
Strategy Definition		
Develop Ad board plan including timing, messages, and attendants	C	A/R
Define roles and responsibilities for contacting ad board members	C	A/R
Execution		
Manage Ad board logistics including meeting space, timing and vendor selection	C	A/R
KOL logistics including invitations, consulting agreements and travel	I	A/R
Content preparation including objectives, agenda and slide development	I	A/R
Execution of ad board including identification and management of vendors	C	A/R
Follow up with faculty members and other participants	I	A/R

Speaker Bureau (for Peer-to-Peer Promotion)

Activity	SPI	TPNA
Strategy Definition		
Identification and recruitment of potential speakers	C	A/R
Execution		
Speaker slide development	C	A/R
Conduct speaker training, including content development, meeting logistics and ancillary events	I	A/R
Determine the frequency, reach and scope of speaker programs	I	A/R
Manage speaker bureau logistics	I	A/R
Rep speaker recruitment logistics including nomination forms	I	A/R
Develop speaker portal to manage interactions with KOLs	I	A/R

Clinical Publications (during first 12 months post PDUFA*)

Activity	SPI	TPNA
Strategy Definition		
Develop commercial publication plan	R	A
Execution**		
Determine commercial messages	C	A/R
Determine scientific content	A/R	C
Identify authors	A/R	C
Draft outline and publication	A/R	C
Publication review	A/R	R
Submit publication	A/R	C
Management & administration of publication vendor	A/R	R

* PDUFA date is [**]

** Roles and responsibilities for execution of non clinical publications are subject to Annex 2 in Supplemental Agreement

Non-Clinical Publications (during first 12 months post PDUFA*)

Activity	SPI	TPNA
Strategy Definition		
Develop commercial publication plan	R	A
Execution**		
Determine commercial messages	C	A/R
Determine scientific data	A/R	C
Identify authors	A/R	C
Draft outline and publication	A/R	C
Publication review	A/R	R
Submit publication	A/R	C
Management & administration of publication vendor	A/R	R

* PDUFA date is [**]

** Roles and responsibilities for execution of non clinical publications are subject to Annex 2 in Supplemental Agreement

Disease State / QoL Publications

Activity	SPI	TPNA
Strategy Definition		
Develop commercial publication plan	C	A/R
Execution*		
Determine messages	C	A/R
Solicit studies (if necessary)	I	A/R
Identify authors	I	A/R
Draft outline and publication	I	A/R
Publication review	C	A/R
Submit publication	I	A/R
Management & administration of publication vendor	C	A/R

* Roles and responsibilities for execution of non clinical publications are subject to Annex 2 in Supplemental Agreement

Exploratory Studies*

Activity	SPI	TPNA
Strategy Definition		
Develop plan for exploratory studies	C	A/R
Prepare plan	A/R	R
Execution		
Develop protocols and study designs	A/R	C
Develop and initiate studies	A/R	C
Manage studies	A/R	C
Analyze study results	A/R	C
Publish study results	R	A

* Studies include those that explore a new indication or formulation other than those identified in the contract. These include, but are not limited to, preclinical to studies and proof of concept studies.

FDA Required Studies*

Activity	SPI	TPNA
Strategy Definitions		
Develop study plans	C	A/R
NPV and market assessment	C	A/R
Prepare plan	C	A/R
Execution		
Develop protocols and study designs	A/R	C
Develop and initiate studies	A/R	C
Manage studies	A/R	C
Analyze study results	A/R	C
Publish study results	A/R	C

* Studies include all those required by the FDA to support approval and marketability of Amitiza. These include, but are not limited to, drug interaction studies, renal and hepatic studies.

Post Marketing Studies*

Activity	TPNA	
	SPI	TPNA
Strategy Definition		
Develop post-marketing study plan	C	A/R
NPV and market assessment	C	A/R
Prepare plan	C	A/R
Execution		
Develop protocols and study designs	Responsibilities will be in accordance with the SOPs developed for Phase IV Marketing Support Studies and Publications	
Develop and initiate study		
Manage studies		
Analyze study results		
Publish study results		

* Studies include all those deemed necessary to support the commercial success of Amitiza. These include, but are not limited to, long term efficacy studies, QD dosing studies, and studies to bolster elderly claim.

Medical Conventions and Association Meetings

Activity	SPI	TPNA
Strategy Definitions		
Determine convention plan	C	A/R
Execution		
Determine key messages	C	A/R
Develop exhibit material, publications and presentations, including PR	C	A/R
Plan and execute convention logistics	I	A/R
Staff medical booths	C	A/R
Conventions follow-up	C	A/R

Association Support

Activity	SPI	TPNA
Strategy Definition		
Determine appropriate associations and level of support	C	A/R
Execution		
Manage relationships	C	A/R
Manage grant and funding requests from associations	I	A/R

RSM Management

Activity	SPI	TPNA
Strategy Definition		
Alignment of commercial messages and RSM activities	C	A/R
Execution		
Ongoing RSM management and administration	I	A/R
Assignment of territory deployment	I	A/R

RSM Hiring & Staffing

Activity	SPI	TPNA
Strategy Definition		
RSM resource development (group size, territories, etc.)	C	A/R
RSM hiring	I	A/R
Execution		
RSM slide set development	C	A/R
Thought leader development	C	A/R
Support internal education	I	A/R
Support grants and CME	I	A/R
Support IIT	C	A/R
Support medical meetings	C	A/R
Support managed markets activities	I	A/R
Support speaking training	C	A/R
Support sales training	I	A/R

RSM Training

Activity	SPI	TPNA
Strategy Definition		
RSM training definition	C	A/R
Execution		
RSM training	C	A/R

Medical Information: Unsolicited Requests and Patient Inquiries

Activity	SPI	TPNA
Strategy Definition		
Call center structuring and contracting	I	A/R
Infrastructure development (staffing, CRM, content management)	I	A/R
Execution		
Define FAQs and standard response letters	C	A/R
Patient inquiries scripts	C	A/R
Managed Markets support & AMCP dossier preparation	I	A/R
Medical Information operations / contractor management	I	A/R
Infrastructure maintenance	I	A/R
Custom responses	C	A/R
Suspected Adverse Events data collection	I	A/R
PIR analysis and report out	I	A/R

Medical Information: **Product Complaints**

Activity	SPI	TPNA
Strategy Definition		
Process and infrastructure development	A/R	C
Execution		
Call handling procedures	C	A/R
Contractor management	A/R	C
Product Complaints follow up	A/R	C
Intercompany product complaint / activity reporting/QA	A/R	C

Medical Information – Pharmacovigilance

Activity	SPI	TPNA
Strategy Definition		
Process and SOP definition	A/R	C
Execution		
Call handling procedures	C	A/R
Adverse Event follow up and adjudication	A/R	C
AE database and reporting	A/R	C
FDA response and interface	A/R	C
Intercompany pharmacovigilance reporting	A/R	C

CME

Activity	SPI	TPNA
Strategy Definition		
Develop educational strategy	C	A/R
Evaluate new / innovative opportunities	C	A/R
Execution		
Identify, select and manage CME vendor	C	A/R
Gap analysis	C	A/R
Request and evaluate proposals from providers	C	A/R
Manage interactions with providers and monitor compliance	I	A/R
Manage delivery process and budget compliance	I	A/R
Evaluate summary and outcomes	C	A/R

Educational Grants

Activity	SPI	TPNA
Strategy Definition		
Develop educational strategy	C	A/R
Execution		
Ensure that educational strategy is aligned with KOL strategy	C	A/R
Gap analysis	I	A/R
Evaluate grant proposals	I	A/R
Manage delivery process and budget compliance	I	A/R
Evaluate summary and outcomes	I	A/R

IIT – Support of Life Cycle Management

Activity	SPI	TPNA
Strategy Definition		
Define IIT process	C	A/R
Define IIT strategy	C	A/R
Ensure IIT strategy is aligned with LCM strategy	C	A/R
Execution		
Gap analysis	C	A/R
Review and decide on proposals*	C	A/R
Manage and monitor approved studies	C	A/R
Review study results and publications	C	A/R
Ensure drug supply is delivered to participating sites	A/R	C

* SPI a role on the IIT committee will be similar to that of TPNA commercial representative and medical director

IIT – Exploratory / Outside of LCM

Activity	SPI	TPNA
Strategy Definition		
Define IIT process	A/R	R
Define IIT strategy	A/R	R
Execution		
Gap analysis	A/R	C
Review and evaluate proposals	A/R	C
Manage and monitor approved studies	A/R	I
Review study results and publications	A/R	I

Health Outcomes / Quality of Life Research

Activity	SPI	TPNA
Strategy Definition		
Identify outcomes research needs	C	A/R
Outcomes publication plan	C	A/R
Execution		
Solicit study investigators (if necessary)	C	A/R
Data mining	C	A/R
AMCP dossier (with budget impact model) preparation	I	A/R
Patient reported outcomes instrumentation (HRQoL)	I	A/R
Patient registry	I	A/R
Cost-effectiveness Pharmacoeconomic model	I	A/R
Burden of illness analysis	I	A/R

Label Negotiations

Activity	SPI	TPNA
Strategy Definition		
Label defense preparation	A/R	C
Execution		
Label defense training	A/R	C
Label negotiations	A/R	C
Contingency planning for label	A/R	C
Risk management program development	A/R	C
Development of risk management program (if required)	??	??

Med / Reg / Legal Review

Activity	SPI	TPNA
Strategy Definition		
Process definition		
Prioritization guidelines definition		
Document planning / inventory		
Define PI requirements		
Execution		
Manage review priorities and calendar		
Execute review process		
Proofread promotional material (accuracy, grammar, consistency, references)		
Med / Reg / Legal review of promotional material (content, risk analysis, next steps or approval)		
Track PI versions, create promotional PI and brief summaries		
Track projects and releases		

NOTE: SOPs being developed to identify roles and responsibilities for each of these activities

DDMAC Review and Submissions

Activity	SPI	TPNA
Strategy Definition		
Define DDMAC process		
Define DDMAC requirements		
Execution		
Interface with internal clients (Sales / Marketing / etc.)		
Interface with external clients (DDMAC)**		

NOTE: SOPs being developed to identify roles and responsibilities for each of these activities

ANNEX 4: Med/Reg/Legal Review SOPs

TITLE: Standard Operating Procedure ("SOP") regarding review and approval of promotional, sales training or other related materials between Sucampo Pharmaceuticals, Inc. ("SPI"), Takeda Pharmaceutical Company Limited ("TPC") and TPC's Affiliates, including Takeda Pharmaceuticals North America, Inc. ("TPNA") (TPC and its Affiliates, collectively "Takeda")

Effective Date: January 31, 2006

Supersedes: N/A

VERSION: 1

PURPOSE: To establish the procedures between SPI and Takeda regarding the review and approval of promotional, sales training or other related materials to be utilized in the commercialization of Lubiprostone ("Promotional Piece") under the Collaboration and License Agreement between SPI and Takeda dated October 29, 2004 ("Collaboration and License Agreement"). Nothing contained in this SOP shall be deemed to modify or amend any provision of the Collaboration and License Agreement or the Agreement among SPI, Takeda and SAG dated October 29, 2004.

RESPONSIBILITIES: Each company is responsible for ensuring that its own employees who are involved in the review and approval of Promotional Pieces, and the employees of its Affiliates who are involved in the review and approval of Promotional Pieces, have read, understood and comply with this SOP. Takeda will be responsible for the preparation, review and approval of any Promotional Piece.

PROCEDURES:

Takeda and SPI will comply with all applicable laws, rules and regulations relating to the promotion of pharmaceutical products.

Takeda will prepare (or oversee the preparation by its vendors of) each Promotional Piece and submit each such Promotional Piece to Takeda's Med/Reg/Legal Review Committee for approval.

Following initial review by Takeda's Med/Reg/Legal Review Committee, Takeda will submit (or cause its vendors to submit) to SPI for SPI's Med/Reg/Legal review and comment Promotional Pieces that include any major new messages, claims or campaigns not already reviewed by SPI and approved by Takeda's Med/Reg/Legal Review Committee. Takeda also will provide a summary of the outcome of such initial review, noting any changes and the rationale for such changes. Promotional Pieces will be sent to SPI's contact person identified in item 8 below by email, facsimile or mail, as appropriate. For the avoidance of doubt, once a major, new Promotional Piece has been approved by Takeda's Med/Reg/Legal Review in accordance with

this SOP, any supplemental Promotional Pieces repeating the same already approved message, claim or campaign will not require further SPI Med/Reg/Legal review.

Within four (4) business days after receipt of such Promotional Piece, SPI will provide Takeda with SPI's comments and related rationale or notify Takeda that SPI has no comments. If SPI does not contact Takeda and/or provide SPI's comments and related rationale within such 4-day period, then SPI shall be deemed to have accepted the Promotional Piece. SPI shall provide its comments and related rationale orally to the contact person identified in item 8 below.

Takeda's contact person shall communicate SPI's comments and related rationale to the other members of Takeda's Med/Reg/Legal Review Committee. To the extent Takeda's Med/Reg/Legal Review Committee disagrees with any of SPI's comments, Takeda's representatives from its Med/Reg/Legal Review Committee shall discuss such comment(s) with his/her counterpart on SPI's Med/Reg/Legal Review Committee.

Takeda, in good faith, will take into consideration any SPI comments and related rationale during Takeda's final Med/Reg/Legal review for such Promotional Piece; provided, however, Takeda shall have final approval authority for all Promotional Pieces to be used by either Takeda or SPI. In any event, Takeda will provide a summary of the outcome of such final review noting any changes and the rationale for such changes.

Takeda will provide SPI with the final version of each Promotional Piece once the Med/Reg/Legal review is completed.

The primary contacts for communications under this SOP shall be:

For Takeda: *to be determined no later than* *February 15, 2006*		For SPI:	Robert Cormack Regulatory Manager r.cormack@sucampo.com Tel (301) 961-3400 x163 Fax (301) 961-3440

Either Takeda or SPI may change its contact person at any time upon written notice to the other.

Takeda will be responsible for all communications with DDMAC, pre-clearance submissions with DDMAC and preparing and filing FDA form 2253 with DDMAC for each Promotional Piece. Prior to the filing of the first of such FDA forms 2253, SPI shall provide written notification to the FDA authorizing Takeda as SPI's designee for interactions relating to Promotional Pieces. Takeda will send to SPI via e-mail a scanned signed copy of FDA Form 2253 at time of submission to DDMAC.

Any dispute relating to this SOP shall be referred to the JCC for discussion and resolution. If the JCC is unable to agree on a solution, then the matter shall be handled under the dispute resolution provisions of the Collaboration and License Agreement, including Section 3.1.

DEFINITIONS

Any capitalized terms not defined in this SOP shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement.

ANNEX 5: Press Releases

TITLE: Standard Operating Procedure ("SOP") regarding development and approval of Press Materials and Media Relations Activities (both as defined below) development between Sucampo Pharmaceuticals, Inc. ("SPI"), Takeda Pharmaceutical Company Limited ("TPC") and TPC's Affiliates, including Takeda Pharmaceuticals North America, Inc. ("TPNA") (TPC and its Affiliates collectively "Takeda")

Effective Date: January 31, 2006

Supersedes: N/A

VERSION: 1

PURPOSE: To establish the procedures between SPI and Takeda regarding the development and approval of Press Materials (as defined below) and Media Relations Activities (as defined below) and maintenance of the confidentiality of Confidential Information (including Proprietary Product Information) under the Collaboration and License Agreement between SPI and Takeda dated October 29, 2004 ("Collaboration and License Agreement'). Nothing contained in this SOP shall be deemed to modify or amend any provision of the Collaboration and License Agreement or the Agreement among SPI, Takeda and Sucampo AG dated October 29, 2004.

RESPONSIBILITIES: Each company is responsible for ensuring that its own employees who are involved in developing Press Materials and participating in Media Relations Activities, and the employees of its Affiliates who are involved in developing Press Materials and participating in Media Relations Activities, read, understand and comply with this SOP.

PROCEDURES:

Any Press Materials and/or materials for Media Relations Activities prepared by either SPI or Takeda shall be submitted to the other party for review and comment prior to any public release thereof.

The party reviewing the Press Materials and/or materials for Media Relations Activities shall provide comments encompassing all relevant internal reviews on such materials as soon as reasonably practical but no later than 8 business days after receipt of such materials. In the event of an emergency, crisis, time-sensitive issue or time-sensitive media request that requires same day or immediate response, responsive materials will be developed, reviewed and approved by both parties via electronic mail within 2 hours.

In the case of review of such materials by SPI, SPI shall determine whether Sucampo AG IP review is necessary and, if so, shall also obtain and provide to Takeda comments from Sucampo AG within the applicable review period.

In the case of review of press releases by Takeda, Takeda shall obtain and provide to SPI comments from TPC within the applicable review period.

The party preparing the Press Materials and/or materials for Media Relations Activities shall consider in good faith any comments received by the reviewing party and, if necessary, discuss with the other party appropriate revisions to such materials taking into account relevant circumstances. If SPI provides comments relating to marketing or promotional issues, Takeda shall be required to submit such comments through the Med/Reg/Legal review process outlined in the SOP agreed by SPI and Takeda dated January 31, 2006 titled “Med/Reg/Legal Review Process” to the extent the issues relate to such SOP.

The party preparing the Press Materials and/or materials for Media Relations Activities shall provide the other party with a copy of the final version of such materials.

The primary contacts for communications under this SOP shall be:

For Takeda:

Jocelyn Gerst
Manager, Product Public Relations
Tel: 847-383-3696
Cell: 847-769-6889
jgerst@tpna.com

For SPI:

Kei Tolliver
Director, Legal and BD
Tel: 301-961-3400
Fax: 301-961-3440
k.tolliver@sucampo.com

Either Takeda or SPI may change their respective contact person at any time upon written notice to the other.

All press releases shall identify both parties and shall include, for both parties, media contact information, quotes (where appropriate) and a company description. As an example, Sucampo and Takeda’s current company description are attached in Exhibit 1 hereto.

Press Materials shall be distributed as follows: press releases and media alerts will be distributed, at a minimum, via the paid newswires PR Newswire, EurekAlert, MarketWire and Newswise.

Each party shall be entitled to respond to any press inquiry based on approved Press Materials and/or approved materials for Media Relations Activities.

Any dispute relating to this SOP shall be referred to the JCC for discussion and resolution. If the JCC is unable to agree on a solution, then the matter shall be handled under the dispute resolution provisions of the Collaboration and License Agreement, including Section 3.1.

DEFINITIONS

Confidential Information: Confidential Information shall have the same meaning as set forth in Article I of the Collaboration and License Agreement, subject to the provisions of Article 11 of the Collaboration and License Agreement.

Media Relations Activities: Media Relations Activities shall mean media efforts in response to inquiries or proactive outreach, medical meeting data or publications support, and other communications programs that are developed in support of the Development or Commercialization of the Product. For the avoidance of doubt, Press Materials does not include publications, abstracts and manuscripts covered by other SOPs between SPI and Takeda.

Press Materials: Press Materials shall mean information prepared for the purpose of communicating in support of the Development or Commercialization of the Product that is intended to be disclosed primarily to news media and investors, and may include press releases, media alerts, media standby statements, FAQs (frequently asked questions), background information and other supporting materials. For the avoidance of doubt, Press Materials does not include publications, abstracts and manuscripts covered by other SOPs between SPI and Takeda.

Proprietary Product Information: Proprietary Product Information shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement. For the avoidance of doubt, Proprietary Product Information includes, with respect to a Product, New Drug Application (NDA), Investigational Drug Application (IND), Drug Master File (DMF), Investigator Brochure (IB) and any Product information contained in SPI pending, non-published patent applications.

Other: Any capitalized terms not defined in this SOP shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement.

EXHIBIT 1

AMITIZA™ is developed by Sucampo Pharmaceuticals, Inc. and will be jointly marketed in the United States by Sucampo Pharmaceuticals, Inc. and Takeda Pharmaceuticals North America, Inc. and will be available to patients in Spring 2006.

Sucampo Pharmaceuticals, Inc.

Sucampo Pharmaceuticals, Inc. is a science-driven pharmaceutical company, based in Bethesda, Md., focusing on gastrointestinal and specialty diseases. Sucampo has concentrated on developing and commercializing drugs from its proprietary prostone technology platform, which was created by Ryuji Ueno, M.D., Ph.D., Ph.D., Co-Founder, Executive Chair and Chief Scientific Officer of the company. Prostones are a new class of functional fatty acid with a variety of physiological and pharmacological activities. The first commercial prostone product, RESCULA®, was launched in 1994 in Japan, and later approved in more than 40 other countries for the treatment of glaucoma. AMITIZA™ is Dr. Ueno's second prostone product to be marketed in the United States, and the first selective chloride channel activator for therapeutic use. To learn more about the company and its products, visit www.sucampo.com.

In October 2004, Sucampo entered into an agreement with Takeda Pharmaceutical Company Limited (Osaka, Japan) to jointly market AMITIZA™ in the United States and Canada. Takeda Pharmaceuticals America, Inc. and Takeda Pharmaceuticals North America, Inc. are US subsidiary companies of Takeda. To learn more about Takeda, visit www.takeda.co.jp and www.tpna.com

Takeda Pharmaceuticals North America, Inc.

Based in Lincolnshire, Ill., Takeda Pharmaceuticals North America, Inc. is a wholly owned subsidiary of Takeda Pharmaceutical Company Limited, the largest pharmaceutical company in Japan. In the United States, Takeda currently markets oral diabetes, insomnia, cholesterol lowering and gastroenterology treatments, and through the Takeda Global Research & Development Center, Inc. the company has a robust pipeline with compounds in development for diabetes, cardiovascular disease and other conditions. Takeda is committed to striving toward better health for individuals and progress in medicine by developing superior pharmaceutical products. To learn more about the company and its products, visit www.tpna.com.

ANNEX 6: Safety Data, Postmarketing Activities, and Clinical Trial Activities SOPs

TITLE: Standard Operating Procedure (SOP) for Management of Safety Information On Lubiprostone between Sucampo Pharmaceuticals, Inc. ("SPI"), Takeda Pharmaceutical Company Limited ("TPC") and TPC's Affiliates, including Takeda Pharmaceuticals North America ("TPNA") (TPC and its Affiliates, collectively "Takeda")

Effective Date: January 31, 2006

Supersedes: N/A

VERSION: 1

Attachments

1. Responsible Persons and Contact Persons
2. Agreed Causal Relationship between an AE and a Marketed Drug at SPI
3. Causal Relationship between an AE and a Marketed Drug
4. Agreed Relationship between Causality Assessment and Reportability

Standard Operating Procedure (SOP)
For Management of Safety Information
On Lubiprostone

Scope

Sucampo Pharmaceuticals, Inc (hereinafter “SPI”) and Takeda Pharmaceuticals Company, Limited (“TPC”) and TPC’s Affiliates, including Takeda Pharmaceuticals North America, Inc. (“TPNA”) (TPC and its Affiliates, including TPNA, collectively “Takeda”) should make the greatest effort to ensure the safety of Lubiprostone and to fully comply with all regulatory requirements through the close exchange of information and mutual cooperation as set forth below.

This SOP describes the procedures and timeframes and defines the responsibilities of SPI and Takeda to assure compliance with all applicable laws and regulations pertaining to safety reporting.

All parties commit to following the ICH harmonized tripartite guidelines.

Definitions

Takeda

Takeda means Takeda Pharmaceutical Company, Limited (“TPC”) and its Affiliates, including Takeda Pharmaceuticals North America, Inc. (“TPNA”).

SPI

SPI means Sucampo Pharmaceuticals, Inc. SPI is the holder of Marketing Authorization (MAH).

SPI Affiliate

SPI Affiliate means by any company that markets Lubiprostone under a license granted by SPI. However, SPI Affiliate does not mean Takeda.

Designee

Designee means any company, business, organization, or other person that performs the duties, functions, operations or activities that are the responsibilities of either SPI or Takeda as defined by this SOP. “SPI’s Designee” does not mean Takeda.

[**], doing business as ("[**]") is SPI's worldwide Designee, including U.S. regulatory and safety reporting.

Adverse Event (AE)

Adverse event (hereinafter AE) means all untoward medical occurrences with a marketed product or in a trial subject treated with a medicinal product and not necessarily only those in which the causal relationship to the medicinal product is clear.
AEs include all untoward or unintended signs (including abnormalities in laboratory test values), symptoms or illness that occurs in association with the administration of a medicinal product.

Adverse Drug Reaction (ADR)

With respect to pre-approval clinical trials with an investigational drug (including a trial for obtaining approval for additional indication(s)), adverse drug reaction (hereinafter ADR) means all noxious and unintended responses to a medicinal product at any dose. As used in the previous sentence, the phrase "response to a medicinal product" means that a causal relationship between the medicinal product and the AE is at least a reasonable possibility, i.e., a relationship cannot be ruled out.

Regarding a marketed drug, ADR means a noxious and unintended response to a medicinal product used for prophylaxis, diagnosis or therapy of disease or for modification of physiological function.

Serious Adverse Event (SAE)

The term SAE means any untoward medical event that at any dose:

Results in death,

Is life-threatening,

Note: The term “life-threatening” in the definition of “SAE” refers to an event in which the patient was at risk of death at the time of event; it does not refer to an event which hypothetically might have caused the death if it were more severe.

Requires inpatient hospitalization or prolongation of present hospitalization.

Results in persistent or significant disability/incapacity,

Is a congenital anomaly/birth defect, or

Is an important medical event that may not be immediately life-threatening or result in death or hospitalization but may jeopardize the health of the patient or may require intervention to prevent one of the above (1) — (5).

Note: The term “severe” is often used to describe the intensity (severity) of a specific event (as in mild, moderate or severe myocardial infarction); the event itself however may be of relatively minor medical significance (such as a severe headache). This is not the same as “serious,” which is based on patient/event outcome or action criteria usually associated with events that pose a threat to a patient’s life or functioning. Seriousness (not severity) serves as a guide for defining regulatory reporting obligations.

Non-Serious AE

The term non-serious AE means an AE which cannot be categorized as an SAE.

Expected/Unexpected ADR/AE

If the nature, severity, specificity and outcome of an ADR in the case of a marketed drug are consistent with the information listed in the current package insert or on product label in the country concerned, the ADR is deemed to be expected. In the case of an investigational drug, the criteria for determining whether an ADR is expected or unexpected are the same, except that the reference information is the investigator’s brochure in the country concerned. If an ADR is not listed in the specified reference information or the nature, severity, specificity or outcome of the ADR is not consistent with the description in the aforesaid information, the ADR is deemed to be unexpected.

Expedited Report

Expedited report means an AE/ ADR report which an IND/NDA holder in a specific country is required to submit to the regulatory authorities immediately or at latest within a specified number of days in accordance with the regulations of the country concerned. The specified number of days and the criteria used to determine whether or not an expedited report must be submitted vary from country to country.

Time-Clock-Start-Point

Time-clock-start-point means the date when SPI or Takeda personnel, including any clinical research organization working on behalf of SPI or Takeda, have obtained the minimum information which is necessary for transmission of an AE case report. For example, the clock will start upon the receipt of a valid report. For the purpose of data exchange, the time-clock starts at this point as day zero; however, in cases where the information is such as that shown in Section 5.2, the time-clock starts at the time when SPI or Takeda has obtained any such information. This applies to both initial and follow-up information.

Health Care Professionals and Non-Health Care Professionals

Health Care Professionals (hereinafter HCPs) are physicians, dentists, pharmacists, nurses, physician's assistants (PAs) and coroners. Non-Health Care Professionals are all people other than HCPs, such as consumers and attorneys.

Company Core Data Sheet (CCDS)

The Company Core Data Sheet (hereinafter CCDS) is a document that is the responsibility of SPI and [**], to prepare, which contains, in addition to safety

information, material related to indications, dosing, pharmacology and other information concerning the product for which has Marketing Authorization (hereinafter MA).

Company Core Safety Information (CCSI)

Company Core Safety Information (hereinafter CCSI) means all relevant safety information contained in the CCDS and which SPI shall make the effort to have the CCSI listed worldwide.

Listed/Unlisted AE

If the nature, severity, specificity and outcome of an ADR are consistent with the descriptions in the CCSI, the ADR is regarded as “Listed,” and if they are not consistent with the descriptions, the ADR is regarded as “Unlisted,” The terms listed and unlisted apply only to preparation of the Periodic Safety Update Report (hereinafter PSUR)

International Birth Date (IBD)

The International Birth Date (hereinafter IBD) is the date of the first marketing authorization for a new medicinal product granted to any company in any country. Regarding Lubiprostone, January 31, 2006 is designated as the IBD.

Data Lock-Point (data cut-off date)

The data lock-point is the date designated as the cut-off date for data to be included in a PSR. It is based on the IBD and should usually be in increments of six months.

Periodic Safety Report (“PSR”)

The PSR, based on the ICH-E2C guidelines, is a document which the MAH is required to submit to the U.S. regulatory authorities according to the relevant regulations. The PSR is an overall evaluation of safety information on the marketed drug for a period of every three (3) months for the first three (3) years counted from the IBD, and every six (6)

months for the following two (2) years. Subsequent reporting will be in compliance with the regulations and laws in effect at that time.

Phase IV Marketing Support Studies

Phase IV Marketing Support Studies means Phase IV Studies to the extent the data from such studies is not intended for the primary purpose of Regulatory Required Studies, Labeling Changes, Additional Indications or New Formulations.

Safety Reporter means SPI, the Party that is the holder of the IND and NDA. SPI has sole responsibility for reporting AEs and submitting all safety reports and updates to regulatory authorities under this SOP. SPI's Designee for worldwide safety reporting is [**].

Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Collaboration and License Agreement, dated October 29, 2004, between SPI and TPC.

Responsible Organizationl Persons and Contact Persons

To ensure effective communication and exchange of questions and opinions on safety information and measures to be taken, both Takeda and SPI shall designate a person to be responsible for exchange of safety information after marketing approval (as per Attachment 1). In the case of any change in the responsible personnel at Takeda or SPI, the other party shall be notified of the change immediately so that this information is always up to date (Attachment I can be amended as personnel changes etc. necessitated). SPI shall, in addition to identifying its own personnel, also identify one senior medical doctor contact at [**].

Common Language

English shall be used as the common language for the exchange of information, the transmission of individual AE case reports, periodic AE reports and the contents of package inserts as well as the exchange of other important safety information between Takeda and SPI.

Collection of Safety Information

SPI shall inform Takeda of all reports on Lubiprostone from the sources identified in Section 5.1 or reports relating to the information described in Section 5.2, and their subparts, and to clarify the source of information obtained each time. These obligations apply to U.S. and worldwide sources of information.

AE Case Reports

Spontaneous Reports

- Spontaneous reports from HCPs
- Spontaneous reports from non-health care professionals, such as attorneys and consumers (non-medically confirmed)
- Spontaneous reports where Lubiprostone is identified as a concomitant or co-suspect medication

Regulatory Authorities Registries Reports

Case reports obtained indirectly though the regulatory authorities or regional pharmacovigilance centers.

Medical Literature and Academic Conference Information

Case reports on Lubiprostone published in medical/pharmaceutical journals or proceedings of academic conferences, etc.

Post-Marketing Investigations/Epidemiological Studies

Case reports obtained from post-marketing investigations/epidemiological studies which are not carried out under Good Clinical Practice (hereinafter GCP).

Post-Marketing Clinical Trials

Case reports obtained from clinical trials conducted in compliance with GCP to investigate the efficacy and safety of a marketed drug.

Pre-Approved Clinical Trials with an Investigational Drug

Case reports obtained from clinical trials carried out for the purpose of obtaining a supplemental approval for additional indications, dosage forms, administration routes, etc.

Other Important Safety Information

Urgent and Important Information Related to Measures Taken, for Safety Reasons, by Regulatory Authorities, by Takeda or by SPI

- Information related to post-marketing withdrawal of or a change in marketing authorization that may lead to a recall of Lubiprostone or discontinuation of or restrictions on the marketing of Lubiprostone
- Information on any changes in indication, dosage, usage or administration

- Issuance of a “Dear Doctor Letter” or revision of the “Contraindications” or “Warnings” section of PIs /Labeling

Revision of Any Safety-Related Sections in PIs/Labeling

Information on revision of any safety-related sections in any PI/Labeling

An Increase in the Incidence of ADRs

Findings suggesting an increase in the incidence of expected serious ADRs to a clinically important extent.

Lack of Efficacy, Exposing Patients to a Significant Hazard

Findings suggesting exposure of patients to a significant hazard, such as lack of efficacy in a drug used for a life threatening disease

Results from Non-Clinical Studies Suggesting a Significant Hazard to Humans

Of the findings obtained from such non-clinical studies as mutagenicity, carcinogenicity or teratogenicity studies conducted by internal or external research institutes, those results suggesting a significant hazard to humans

Safety-Related Information Obtained from Mass Media or Consumer Organizations

Safety information on Lubiprostone, obtained from mass media, consumer organizations’ publications/internet sites, etc.

Notes:

The following information should be exchanged between SPI and Takeda in the same manner as that for AE case reports (See Section 7).

- Pregnancy: Any case in which a patient is found to be pregnant during treatment with Lubiprostone and of which SPI or Takeda becomes aware, regardless of whether an AE results or not.
- Overdose: Accidental or intentional overdose regardless of whether an AE results or not.
- Misuse or Abuse: All information on misuse or abuse regardless of whether an AE results or not

Responsibility for Safety Information

SPI, as the holder of the IND and NDA, shall have sole responsibility as Safety Reporter to report any and all AEs in connection with and arising out of, in any manner whatsoever, post marketing drug experience.

SPI, as the holder of the IND and NDA, shall have sale responsibility as Safety Reporter to report any and all AEs in connection with and arising out of, in any manner whatsoever, any studies falling under the categories of Regulatory Required Studies, Labeling Changes, Additional Indications or New Formulations.

SPI, as the holder of the IND and NDA, shall have responsibility as Safety Reporter to submit reports for any and all AEs in connection with and arising out of, in any manner whatsoever, any studies falling under the categories of Phase IV Marketing Support Studies not conducted by SPI. The report shall be generated as per the requirements of Section 8.3 below.

SPI's Designee, [**], shall fulfill SPI's responsibilities for world-wide safety reporting, including safety reporting required by U.S. Federal and state law or regulation. Additionally, [**] shall, as SPI's Designee, also have the duty to fulfill all of SPI's duties and obligations as defined by this SOP.

Notwithstanding any other provision of this Section 6 of this SOP or any other agreement between the Parties, if Takeda, in its sole discretion believes that SPI, SPI's Designee, SPI's Affiliate, and/or [**] has failed to make a report required by U.S. Federal or state law or regulation, or the laws or regulations of any other country in which Takeda sells or promotes Lubiprostone, or has made an inaccurate or incorrect report, or has made a report that is not in the best interests of the safety and health of patients taking Lubiprostone, Takeda shall first contact SPI and discuss such issue with SPI's Medical Directors, including whether or not the matter in question must be reported. If SPI's assessment differs from the assessment of Takeda, SPI and Takeda shall exchange opinions in an effort to agree on one opinion. However, if SPI and Takeda cannot agree, Takeda may make its own report to the affected governmental regulatory authorities after having brought the error, deficiency, defect, and/or failure to the attention of SPI or [**], and SPI or [**] either expressly declines to take proper corrective action, which declination is confirmed by a writing, or fails to take proper corrective action on a timely basis.

Assessment of Safety Information by Takeda and SPI

An individual AE case report received by Takeda or SPI shall be reviewed by [**] to confirm whether or not the contents of the case report meet the minimum requirements listed below. If the contents meet the requirements, [**] shall make an assessment of the case report. If the contents do not meet the requirements, [**] shall make a reasonable effort to obtain the information which is lacking.

Minimum Requirements for Information Reporting

An AE case report must contain the following 4 items at the minimum to be considered reportable:

An identifiable patient (e.g. patient initials, sex, age),

An identifiable reporter,

An event that can be identified and

A specifiable suspect drug.

Identification Number

SPI or [**] shall assign a unique identification number to each AE case report. Cases arising from Takeda's Phase IV Marketing Support Studies shall receive a unique Takeda identification number when entered into Takeda's database. SPI or [**] shall also assign a unique identification number, in addition to Takeda's number, when such an AE case report is sent to either of them.

Assessment of AEs

SPI or SPI's Designee shall assess the following points for all AE case reports.

- Seriousness
- Causal relationship to the medical product

Assessment of Seriousness

Seriousness should be assessed by a specialist who is well experienced in clinical matters, and the judgment of the reporter in cases where the reporter is a medical specialist shall be prioritized, in principle. Regardless of whether the reporter is a medical specialist or not, if a case which has been assessed as non-serious by a reporter is judged as serious in accordance with the ICH criteria by [**], the case will be handled as a serious case. On the other hand, if a case which has been assessed as serious by the reporter, is judged by

[**] as non-serious, [**] shall consult with the reporter, and, only in the event that the reporter's written consent is obtained, the case will be handled as a non-serious case. Such written consent shall be kept with the MedWatch and/or CIOMS file.

Assessment of Causal Relationship

The causal relationship between an AE and Lubiprostone shall be assessed according to Safety Reporter's criteria for determining the causal relationship, which shall be consistent with best clinical and/or safety practices, and communicated in writing to Takeda.

As to the relationship between an AE and a medicinal product, the causal relationship is classified as one of five (5) or one of three (3) categories as shown in Attachment 2 and Attachment 3, respectively. The relationship for causality assessment between SPI's system, [**]'s system and Takeda's system is shown in Attachment 4.

Follow-Up Investigation

Whenever an AE case report is received from a non-health care professional [**] shall ask a health care professional for validation of the case report. If the first report received does not have necessary data, or when Takeda, [**] or SPI requests additional information, [**] shall make reasonable efforts to obtain the requested information. SPI and [**] have the duty to obtain additional and sufficient information from the reporter so that the case can be assessed.

Management of "Blinded" Clinical Trial Cases

All reports of serious AEs from blinded clinical trials shall be assessed, regardless of whether the blind for the individual case has been broken or not. If the blind has not been broken, this shall be clearly stated in the information which is exchanged, and when the

blind is eventually broken, a follow-up report including therapy unblinding information shall be sent within three (3) working days.

AE/ ADR Terminology

Takeda and SPI shall use the latest version of MedDRA as AE/ADR terminology.

Assessment of Other Important Safety Information

As regards safety information, other than individual case reports, as shown in Section 5.2.1 to 5.2.5, the Safety Reporter shall evaluate the information to determine, in its opinion, what influence it could have on the risk/benefit profile of Lubiprostone and shall notify Takeda of its opinions in addition to relevant safety information.

Exchange of Safety Information

The Parties shall work together to develop processes and training to ensure that all Takeda and SPI Designees, employees and contractors are aware of the need to and methods for submitting AEs to the Safety Reporter.

Transmission of AE Case Reports

Transmission of Serious AE Case Reports Arising out of Post-Marketing, and Clinical Trials That Are Not Phase IV Marketing Support Studies, or Conducted by Takeda or its Designee

SPI and/or [**] shall conduct the medical review of all Adverse Events and shall make the determination as to whether the Adverse Event is an expedited SAE. When SPI and/or [**] assesses an AE case report categorized as “serious,” regardless of whether or not it is an expected AE or whether or not the case has been unblinded in the case of a double-blind clinical study/trial, the regulatory submission shall be timely filed within the appropriate time frame as shown below (Refer to Section 2.12 Time-Clock-Start-Point), and the full regulatory submission shall be transmitted to Takeda by facsimile or e-mail within three days from the date that the regulatory submission was made.

Fatal or Life-Threatening AE Case Reports:

SPI and/or [**] shall transmit preliminary information to Takeda by facsimile or e-mail as soon as practicable for the

protection of the health and safety of clinical trial subjects, and patients taking Lubiprostone. SPI and/or [**] shall transmit the regulatory submission, and any other relevant or material information applicable to the safety and efficacy of Lubiprostone to Takeda within three (3) days after the Safety Reporter's regulatory submission, or sooner if practicable.

Other Serious AE Case Reports:

The full regulatory submission shall be transmitted to Takeda by facsimile or e-mail within three (3) days from the date that the regulatory submission was made.

Analysis and IND Safety Letters for SAEs Requiring Expedited Reporting ("Expedited SAE"), Including Serious Unexpected and Related:

For expedited SAEs, which includes Serious Unexpected and Related SAEs, SPI and [**], through a Safety physician, will review all source documents, conduct a literature review, and provide the assessment of causality, expectedness and relatedness, and narrative description which shall be reported to the regulatory authorities. SPI and [**] will also develop and search the preferred search terms and will review the entire Lubiprostone safety database (clinical and post-marketing), to conduct an Analysis of Similar Events which shall be submitted to the regulatory authorities with the assessment of causality, expectedness and relatedness (MedWatch and/or CIOMS) prepared by [**] and SPI. Based on the medical review and the narrative description and Analysis of Similar Events, [**] will draft an IND Safety Letter and send the draft letter to Takeda for its review.. Takeda shall have the right to comment on the draft IND Safety Letter prepared by SPI or [**]. If SPI's assessment differs from the assessment of Takeda, SPI and Takeda shall exchange opinions in an effort to agree on one opinion. However, if the companies cannot agree, the more serious assessment shall be taken as the final assessment and the final IND Safety Letter will be distributed to all investigators, including investigators for clinical trials conducted by Takeda or its designees, within the regulatory required timeframes. SPI will be responsible for the submission of the expedited safety report in MedWatch and/or CIOMS format to the FDA (U.S. regulatory authority).

Transmission of Non-Serious AE Case Reports

With respect to case reports that SPI and/or [**] assess as “non-serious,” Takeda will have the right to audit pursuant to Section 8.5 of this SOP.

Non-Serious Case Reports Obtained from Information Sources other than Clinical Trials/Studies:

With respect to case reports that SPI and/or [**] assess as “nonserious,” Takeda will have the right to audit pursuant to Section 8.5 of this SOP.

Non-Serious Case Reports Obtained from Clinical Trials/Studies:

SPI and/or [**] shall transmit the clinical trial report or CTR to Takeda within fifteen (15) business days of completion of the clinical trial report. SPI and/or [**] shall share the clinical trial data with Takeda or its Designee upon request.

Formats

SAE reports should be made using MedWatch and/or CIOMS forms. The forms shall be sent together with a “communication letter” which includes a section for confirmation of receipt.

The scope, timeframe, format and contents for the AE case reports are outlined in Attachment 6. (The parties will develop a mutually agreeable Attachment 6)

For Phase IV Marketing Support Studies conducted by Takeda

SAEs Requiring Expedited Reporting, Including Serious Unexpected and Related:

Takeda or its designee shall conduct the medical review of all Adverse Events and shall make the determination as to whether the Adverse Event is an expedited SAE. For expedited SAEs, Takeda or its Designee, through a Safety physician, will review all source documents, conduct a literature review, and provide the assessment of causality, expectedness and relatedness, and narrative description to [**], and which SPI shall report to the regulatory authorities. Takeda or its Designee will also provide [**] with the preferred search terms and [**] will review the entire Lubiprostone safety database (clinical and post-marketing) to conduct an Analysis of Similar Events. Based on the medical review, narrative description and Analysis of Similar Events [**] will draft an IND Safety Letter for the approval of Takeda or its Designee, and send the approved

letter to all investigators, including investigators for clinical trials conducted by Takeda or its Designee, within regulatory required timeframes. Takeda shall have the right to comment on the draft IND Safety Letter . If SPI's assessment differs from the assessment of Takeda, SPI and Takeda shall exchange opinions in an effort to agree on one opinion. However, if the companies cannot agree, Takeda's or its Designee's assessment shall be taken as the final assessment. [**] will be responsible for the submission of the expedited safety report in MedWatch and/or CIOMS format to the FDA (U.S. regulatory authority).

SAEs That are Not Expedited, SAEs That are Expected and/or Not Related:

SAEs that are not expedited, SAEs that are expected and/or related, will remain in Takeda's database until the end of the trial at which time such SAEs will be shared with SPI and/or [**] for the conduct of pharmacovigilance activities. Clinical trial data will be provided to SPI and/or [**] within fifteen (15) business days of the delivery to SPI of the clinical trial report or CTR.

Non-Serious AE Case Reports:

Non-serious AE cases will remain in Takeda's database until the end of the trial at which time such AEs will be shared with SPI and/or [**] for the conduct of pharmacovigilance activities. Clinical trial data will be provided to SPI and/or [**] within fifteen (15) business days of the delivery to SPI of the clinical trial report or CTR.

Transmission of Other Important Safety Information

As regards safety information other than AE case reports, SPI or [**] shall transmit to Takeda, or Takeda shall transmit to [**], the information by facsimile or e-mail within the appropriate timeframe below. As respects SPI, SPI's Designee and/or [**], these companies shall have proper policies, procedures and programs to become timely aware of such safety information. As respects Takeda, Takeda will transmit the information of which it becomes aware.

Urgent and Important Information Related to Measures taken, for Safety Reasons, by Regulatory Authorities, by SPI or by Takeda

Whenever Takeda, SPI, SPI's Designee, SPI's Affiliate, or [**] receives such emergency information as that mentioned in Section 5.2.1, Takeda, SPI, or [**] shall transmit the information as required by Section 8.4 within three (3) business days of its receipt.

Revision of the Safety-Related Sections in Package Inserts/Labeling/SPC

Whenever Takeda, SPI, SPI's Designee, SPI's Affiliate, or [**] receives a regulatory authority's instructions to revise any safety-related section of a Package Insert, or intends to submit a spontaneous revision to a regulatory authority, as shown in Item 5.2.2, SPI and/or [**] shall transmit the information to Takeda prior to taking any official action and within one (1) business day in the case of a regulatory authority's instructions or fifteen (15) business days prior to submission of the revision to the authority in the case of a spontaneous revision to be made by SPI. SPI will transmit such information related to any revision of a safety-related section of Package Insert by SPI, SPI Affiliate or [**] to Takeda within three (3) business days after its receipt. Takeda's responsibility to transmit all such information governed by Section 8.4.2 shall be to transmit such information to [**].

Important Findings Suggesting a Significant Hazard to Humans

Whenever Takeda, SPI, SPI's Designee, SPI's Affiliate, or [**] obtains important findings suggesting a significant hazard to humans as shown in Section 5.2.3, 5.2.4 and 5.2.5, that company shall transmit the information to the other, as required by Section 8.4, within three (3) business days after receipt of it.

Other Important Safety-Related Information

Whenever Takeda, SPI, SPI's Designee, SPI's Affiliate, or [**] receives such information as that shown in Section 5.2.6, that company shall transmit the information of importance to the other Party within three (3) business days after receipt of it by Takeda or SPI.

Information of Post-Marketing Non-Clinical Studies or Clinical Trials Targeting Safety Issues

When SPI, SPI's Designee, or SPI's Affiliate performs a post-marketing non-clinical study or clinical trial targeting safety issues spontaneously or as per the instructions of the regulatory authorities, Takeda shall be notified of the protocol while in its draft form, of

any material changes thereto, and of the final protocol and/or any material changes thereto, and Takeda shall be permitted to provide its comments and expertise thereon. Upon completion of the study or trial SPI shall provide Takeda the final clinical trial report or CTR within fifteen (15) business days of completion of the clinical trial report. SPI and/or [**] shall share the clinical trial data with Takeda or its Designee upon request.

Audit

Notwithstanding any provisions contained in this SOP or any other Agreement to the contrary, Takeda, or Takeda's Designee, and SPI, or SPI's Designee, shall have the right to audit the performance of any and all aspects of safety reporting related to Lubiprostone. The right to audit shall be fulfilled by full access and recourse to any and all regulatory reports and submissions, source documents, data, policies, procedures, BOPs, SOPs, documents, information and materials, medical records, case report forms, clinical trial documents and information, files, databases and things, etc., of whatever kind, form or nature, including any and all electronic or computerized regulatory reports and submissions, source documents, data, policies, procedures, BOPs, SOPs, documents, information and materials, medical records, case report forms, clinical trial documents and information, files, databases and things, that form the basis for, or are related to, any duty or obligation of SPI, SPI's Designee, [**], Takeda, or Takeda's Designee under this SOP, or under any law, regulation, and/or convention as it relates to the submission of safety and efficacy information to any U.S. Federal or state governmental authority or agency.

The right to audit may be exercised as frequently as Takeda or SPI deems to be necessary. The Party to be audited will be provided with at least fifteen (15) days advance notice of its intent to exercise its audit rights. Takeda and SPI, or their respective Designees will communicate preliminary audit results to one another, and provide each other with an opportunity to respond prior to the audit report becoming final. Takeda and SPI, or their respective Designees will communicate the final audit report to one another to ensure the accuracy and integrity of the Parties reports and reporting obligations. Takeda, or its Designee, shall bear the full costs and expenses of any audit it requests. SPI, or its Designee, shall bear the full costs and expenses of any audit it requests.

Measures to be Taken for Regulatory Requirements

Literature Monitoring

[**] and/or SPI, assumes the responsibility for literature monitoring.

[**], on SPI's behalf, shall monitor medical and pharmaceutical journals and screen databases such as MEDLINE and EMBASE.

Any medical or pharmaceutical journal article information that contains a serious AE report shall be exchanged between Takeda and SPI in the same manner as that for AE case reports with a copy of the original article being attached. In addition, both Parties shall transmit to the other any journal article, and/or information, of which they become aware that contains a non-serious AE case report in the same manner. SPI and/or [**], shall where applicable, perform the requirements of Sections 8.4, 8.4.1, and 8.4.2 for such serious AEs.

Also, SPI and/or [**] shall transmit to Takeda serious AE case reports which were retrieved from literature databases other than EMBASE, and SPI and/or [**] shall transmit to Takeda serious AE case reports which were retrieved from any database, including EMBASE, and were reported to the relevant regulatory authority in a country where SPI, an SPI Designee, or an SPI Affiliate, has MA. SPI and/or [**] shall, where applicable, perform the requirements of Sections 8.4, 8.4.1, and 8.4.2 for such serious AEs.

Submission of PSRs

SPI shall take responsibility for submission of the PSRs to the U.S. regulatory authorities. [**] is responsible for preparing the draft document. Takeda shall have the opportunity to review and comment on the draft PSR and provide to [**] comments on the draft PSR no later than ten (10) days after database lock, and Takeda shall be permitted five (5) business days to submit comments to SPI. If SPI's assessment differs from the assessment of Takeda, SPI and Takeda shall exchange opinions in an effort to agree on one opinion. However, if SPI and Takeda cannot agree, the more serious assessment shall be taken as the final assessment.

After the PSR has been submitted to the regulatory authorities, SPI and/or [**] shall notify Takeda of the submission date immediately, and provide Takeda with three (3) copies of the PSR within three (3) business days.

Measures Taken to Comply with Instructions from Regulatory Authorities

When SPI, SPI Designee, SPI Affiliate, or [**] receives such instructions from the regulatory authorities in any country in which Lubiprostone is marketed, sold prescribed or administered as shown in Section 5.2.1, SPI, SPI Affiliate, or [**] shall send a preliminary notification to Takeda to obtain necessary advice and cooperation. SPI, SPI Designee, SPI Affiliate, or [**] shall provide to Takeda such instructions from regulatory authorities within five (5) business days of its receipt of same, and Takeda shall have the opportunity to provide to SPI, SPI Affiliate, or [**] comment regarding appropriate safety measures in any country in which Takeda sells, markets and/or promotes Lubiprostone.

Actions and Measures to be Taken when any Safety-Related Emergency Arises

When such an emergency situation as that shown in Section 5.2.1 that could lead to discontinuation of the sale or marketing of Lubiprostone arises, Takeda or SPI shall notify the other within the time frames stipulated in Section 8.4.1 and each Party shall continue to promptly provide the other with subsequent information on the situation as it is obtained through intensive collection of related information.

Preparation and Revision of Packet Insert by SPI, SPI Designee, and/or SPI Affiliates

SPI, SPI Designee, and/or SPI Affiliates shall take responsibility for the preparation and revision of the package inserts for Lubiprostone in any country where they have MA on the basis of the CCDS/CCSI. When a package insert is newly prepared or revised spontaneously or as per the instructions of the regulatory authorities in a way that deviates from the CCDS/CCSI, SPI, SPI Designee, and/or SPI Affiliates shall notify Takeda within three (3) business days, and Takeda shall have the right to comment regarding the revisions to the Package Insert, and any requirement for a change to the U.S. package insert.

Preparation and Update of CCDS/CCSI

The draft of the initial CCDS/CCSI, and any amendment thereto, will be prepared by SPI. Takeda shall have the opportunity to review and comment on the draft CCDS/CCSI and provide to SPI comments on the draft CCDS/CCSI within a reasonable timeframe. If SPI's assessment differs from the assessment of Takeda, SPI and Takeda shall exchange opinions in an effort to agree on one opinion. However, SPI and Takeda cannot agree, SPI's assessment will be used. SPI shall make an effort to have one unique CCDS/CCSI worldwide.

The CCDS/CCSI will be developed, or amended, by SPI based on the close exchange of opinions between SPI and Takeda in writing.

Amendment of the CCSI should not only be based only on the number of collected AEs but also on the global judgment of the seriousness of the events and quality of the case reports, referring to the literature and the pharmacological factors as well.

SPI will provide Takeda with its SOPs for the development of the CCDS/CCSI.

Storage of Original Information

Original information obtained by Takeda, SPI, SPI Affiliates, SPI Designees or [**] shall be kept and stored by SPI or [**] in accordance with the regulations in the country concerned.

SPI shall provide to SPI's Affiliates and Designees, and to [**] this SOP, and SPI shall require from its Affiliates and Designees, and [**] their written acknowledgement of this SOP and written commitment to adhere thereto. SPI shall provide such written acknowledgements and commitments to Takeda within fifteen (15) days of SPI's receipt of same.

Amendment

This SOP may only be amended by a written Agreement signed by Takeda and SPI. The requirement of Section 13 shall govern any amendments. SPI and Takeda agree to address any requested amendments that are reasonably required to comply with laws, and/or for the safety and health of patients and clinical trial subjects.

Attachment 1

Responsible Person and Contact Persons

	SPI	[**]	TAKEDA
Responsible Person:			
Contact Persons	1. Safety Information: 2. General Matters, Labeling and SOP:	1. Safety Information: 2. General Matters, Labeling and SOP:	1. Safety Information: 2. General Matters, Labeling and SOP:

Attachment 2

Agreed Causal Relationship between an AE and a Marketed Drug at SPI and [**]

Definite

An AE that follows a reasonable temporal sequence from administration of a marketed drug (including the course after withdrawal of the drug) and that satisfies any of the following:

- Reappearance of a similar reaction by repeated exposure (rechallenge)
- Positive results in drug sensitivity tests (skin test, etc.)
- Toxic level of the drug revealed by measurement of drug concentrations in blood or another bodily fluid

Probable

An AE that follows a reasonable temporal sequence from administration of the drug (including the course after withdrawal of the drug) and for which involvement of factors other than the drug, such as underlying diseases, complications, concomitant drugs or concurrent treatments, can reasonably be excluded.

Possible

An AE that follows a reasonable temporal sequence from administration of the drug (including the course after withdrawal of the drug) and for which possible involvement of the drug can be argued*, although factors other than the drug, such as underlying diseases, complications, concomitant drugs or concurrent treatments, may also be responsible.

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* For example, there have been similar reports in the past, including reports on its analogues, or the occurrence of the event could be predicted from the pharmacological actions/chemical structure of the drug.

Not related

An AE that does not follow a reasonable temporal sequence from administration of the drug or that can be reasonably explained by other factors, including underlying diseases, complications, concomitant drugs or concurrent treatments.

Lack of data

Lack of data, such as temporal sequence of an AE from administration of the drug (including the course after withdrawal of the drug), underlying diseases, complications, concomitant drugs or concurrent treatments, considered necessary for evaluation.

As regards the causal relationship between an investigational drug and an adverse event, assessment shall be made using a four-category (Definite, Probable, Possible or Not Related) system.

Attachment 3

Causal Relationship
Between an AE and a Marketed Drug

YES

Terms such as possibly, probably, definitely, or most likely will be interpreted and reported as “possibly related.”

NO

Terms such as remotely, unlikely, doubtfully related, will be interpreted and reported as “not related.”

Unassessed (or Unknown)

The reporter’s assessment is actively sought in each case, however, where not provided, or unknown, the general principle of suspected causality by the reporter is adopted for all spontaneous reports in line with the ICH guidelines.

Attachment 4

Agreed Relationship between
Causality Assessment and Reportability

Category	Reportability
Definite	
Probable	Yes
Possible	
Not related	No
Lack of data	Unassessed (Unknown)

It is stipulated in this criterion for assessment that all AEs other than those assessed as “Not-related” or “No” in the Table above are to be handled as ADRs.

ANNEX 7: Approved Research Studies

Summary of Research Grants

Title of Study	Principle Investigator	Institution	Budget
The Mechanism of Action of Lubiprostone on Single ENaC, CFTR and CIC2 Channels	[**]	[**]	$ [**]
The Role of Lubiprostone in Maintaining Epithelial Barrier Function	[**]	[**]	$ [**]
Role of CIC-2 in duodenal bicarbonate secretion	[**]	[**]	$ [**]
Role of CIC-2 in protecting against bacterial translocation in colitis	[**]	[**]	(both projects)
Mechanism of Lubiprostone protection during epithelial injury	[**]	[**]	$ [**]
Mechanism of Lubiprostone-stimulated intestinal secretion	[**]	[**]	$ [**]
Actions of Lubiprostone in the Mammalian Intestinal Tract	[**]	[**]	$ [**]
Plus 3 additional studies			$ [**]each

ANNEX 8: Development Costs

"Development costs" shall mean all internal costs based on the fixed hourly rate of each individual engaged in the Development project. The amount of internal costs to be billed for each individual is calculated as follows: Hourly Rate x [**] Hours x Percentage of Day Dedicated to the Development Project x Number of Days Worked. (For example, if person A is assigned to two projects (one of which is the subject Development project), is dedicating equal amount of his time on each project, and worked for [**] days, the payment for that individual for the month would be Hourly Rate x [**] Hours x [**]% x [**]). The work sheet showing the calculation of the internal costs shall be provided with the relevant invoice.

ANNEX 9: SOPs Relating to Phase IV Marketing Support Studies and Non-Clinical Research Studies

TITLE: Standard Operating Procedure (“SOP”) regarding the management of Phase IV Marketing Support Studies between Sucampo Pharmaceuticals, Inc. (“SPI”), Takeda Pharmaceutical Company Limited (“TPC”) and TPC’s Affiliates, including Takeda Pharmaceutical North America, Inc. (“TPNA”) (TPC and its Affiliates, collectively “Takeda”)

Effective Date: January 31, 2006

Supersedes: N/A

VERSION: 1

CONFIDENTIAL AND PROPRIETARY

PURPOSE: To establish the procedures between SPI and Takeda regarding the management of Phase IV Marketing Support Studies (as defined in the Supplemental Agreement between SPI and TPC dated January 31, 2006 ("Supplemental Agreement")) and maintenance of the confidentiality of Confidential Information (including Proprietary Product Information) relating to such studies under the Collaboration and License Agreement between SPI and Takeda dated October 29, 2004 ("Collaboration and License Agreement"). Nothing contained in this SOP shall be deemed to modify or amend any provision of the Collaboration and License Agreement or the Agreement among SPI, Takeda and SAG dated October 29, 2004.

RESPONSIBILITIES: Each company is responsible for ensuring that its own employees who are involved in the management of Phase IV Marketing Support Studies, and the employees of its Affiliates who are involved in the management of Phase IV Marketing Support Studies, read, understand and comply with this SOP.

PROCEDURES:

If a Party identifies any commercial issues or questions related to the Product that it believes need to be addressed by the conduct of a Phase IV Marketing Support Study, such Party will present a study concept (i.e., a brief synopsis of the study, including key endpoints to address such commercial issues or questions), business rationale, approximate budget and timeline of such Phase IV Marketing Support Studies to the JCC. Takeda and SPI will agree on a proposal template so that proposal formats will be consistent.

Within 15 calendar days following the receipt of such information, the JCC will notify the parties whether it approves moving forward with development of a Phase IV Marketing Support Study or study plan to address the commercial issues or questions identified. In the event that the JCC deems it appropriate to hold discussions with the proposing Party regarding the proposed Phase IV Marketing Support Study concept, business rationale, budget or timeline before making a go/no-go decision of a proposed study, the JCC shall hold and complete such discussions within ten business days from the receipt of the related information from a Party.

Upon JCC approval of moving forward with such a Phase IV Marketing Support Study. Takeda will request from both its Affiliate, Takeda Global Research & Development Center, Inc. ("TGRD"), and from SPI a proposal for the conduct of such a Phase IV Marketing Support Study. Each proposal shall include a study synopsis (i.e., draft protocol), more concrete budget estimate, timeline, study populations, study assessments, endpoints, key outcomes and any proposed use of outside vendors. Such proposals shall be submitted to Takeda within 30 calendar days following Takeda's request. Takeda and SPI will agree on a proposal template so that proposal formats will be consistent.

Within 15 calendar days of receipt of such proposals, Takeda shall evaluate the responses and either (a) select the proposal it believes to be the most appropriate to execute, based on budget, timing, ability to address the identified commercial issues or questions and any other relevant

factors, or (b) require TGRD and SPI to repeat step 3 in order to respond to questions or objections raised by Takeda.

The selected proposal will be submitted to Sucampo AG for IP review and comment prior to initiation of protocol development. Within five (5) business days of receipt of such proposal, Sucampo AG will provide its comments to Takeda and the entity (SPI or TGRD) selected to move forward with the Phase IV Marketing Support Study proposal.

SPI or TGRD, whichever is selected to conduct the Phase IV Marketing Support Study, will prepare a draft protocol (taking into account IP comments provided by SAG) and submit it to the JDC for its review and approval. Within 10 days of receipt of such protocol, the JDC will notify Takeda and SPI or TGRD, whichever is selected to conduct the Phase IV Marketing Support Study, in writing whether it approves moving forward with such protocol.

Prior to the execution of any contract with, or the disclosure of any Confidential Information to, a vendor or investigator in connection with the development or conduct of such Phase IV Marketing Support Study, SPI, Takeda and/or TGRD shall follow the SOP agreed by SPI and Takeda dated January 31, 2006 titled “IP and Confidential Information Disclosure.”

Regulatory submission of protocols for Phase IV Marketing Support Studies will be done under SPI’s IND, with concurrent submission of notification of such protocols to the NDA. Such submissions will be made by SPI if it is the entity conducting the Phase IV Marketing Support Study (with a copy to Takeda) or by Takeda and/or TGRD with cooperation from SPI if TGRD is the entity conducting the Phase IV Marketing Support Study.

The entity conducting a Phase IV Marketing Support Study will provide monthly progress updates to SPI or TGRD, as the case may be. Such updates shall include the number of sites participating in the study, the number of patients enrolled, costs incurred, timelines and any known study results and shall be provided in the same format as the spreadsheet attached as Exhibit 1 hereto.

Following completion of a Phase IV Marketing Support Study, the entity conducting a Phase IV Marketing Support Study will provide SPI or TGRD, as the case may be, with Flash Results of the study within 1 week of their availability.

A draft final report shall be prepared by the entity conducting the Phase IV Marketing Support Study and provided to (i) SPI or TGRD, as the case may be, for a review and comment and (ii) to Sucampo AG for IP review and comment. The reviewing entity shall provide its comments within 10 days of receipt of such draft report and Sucampo AG will provide its comments within 5 business days of receipt of such draft report.

Following receipt of such comment, the party preparing the final report shall have up to 10 business days to conduct a quality assurance review of the report for the purpose of validating the integrity and accuracy of the data.

Following the consideration and incorporation, if applicable, of such comments into the final report,

if SPI conducted the Phase IV Marketing Support Study and prepared the study report, within 15 calendar days after receipt of such comments SPI shall provide Takeda with a copy of the final report and either (1) confirm to Takeda in writing that SPI has incorporated Takeda's comments and given final authorization of the study report, or (2) SPI shall submit another draft of the final report to Takeda in accordance with the same procedures as set forth above in this subsection (a) until both parties agree on the final draft of the final report

if TGRD conducted the Phase IV Marketing Support Study and prepared the study report, within 15 calendar days after receipt of such comments Takeda shall submit the final report to SPI and, within 3 business days thereafter, SPI shall either (1) confirm to Takeda in writing that SPI gives its final authorization of the study report or (2) SPI shall provide additional comments to the study report, in which case TGRD shall submit another draft of the final report to SPI in accordance with the same procedures as set forth above in this subsection (b) until both parties agree on the final draft of the final report.

Any decision by either party to decline to approve a final draft shall be based on reasonable grounds in light of generally accepted medical and/or scientific publication practices.

A final report will be submitted to the regulatory authority if applicable. Such submission will be made by SPI if it is the entity conducting the Phase IV Marketing Support Study (with a copy to Takeda) or by Takeda and/or TGRD with cooperation from SPI if TGRD is the entity conducting the Phase IV Marketing Support Study.

Any publication of Phase IV Marketing Support Study results will be in accordance with the SOP agreed by SPI and Takeda dated January ___, 2006 titled "Publications."

DEFINITIONS

Confidential Information: Confidential Information shall have the same meaning as set forth in Article I of the Collaboration and License Agreement, subject to the provisions of Article 11 of the Collaboration and License Agreement.

Flash Results: Flash Results shall mean preliminary study data analysis prior to statistical validation and review.

Party: Party shall mean SPI or Takeda (as defined above).

Proprietary Product Information: Proprietary Product Information shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement. For the avoidance of the doubt, Proprietary Product Information includes, with respect to a Product, New Drug

Application (NDA), Investigational Drug Application (IND), Drug Master File (DMF), Investigator Brochure (IB) any Product information contained in SPI pending, non-published patent applications.

Other: Any capitalized terms not defined in this SOP shall have the same meaning as set forth in Article 1 of the Collaboration and License Agreement.

Phase IV Study Activity Report as of October 31, 2005 **2/2/2006**

					ENROLLMENT				STUDY MILESTONES											
COMPOUND	PHASE	PROTOCOL NUMBER	DESCRIPTION	MARKETING NAME	PLANNED TOTAL	ACTUAL TO DATE	PLANNED TO DATE	% to planned to date	PLANNED FSI	ACTUAL FSI	PLANNED LSI	ACTUAL LSI	PLANNED LSO	ACTUAL LSO	PLANNED FLASH RESULTS	ACTUAL FLASH RESULTS	PLAN FINAL REPORT REG	ACTUAL FINAL REPORT REG	REG FILING PLANNED	REG FILING ACTUAL
Lublprostone Preclinical	PI	###	XXX	XXX																
	PI	###	XXX	XXX																
	PI	###	XXX	XXX																
Lublprostone CC	PI	###	XXX	XXX																
	PII	###	XXX	XXX																
	PIIIA	###	XXX	XXX																
	PIV	###	XXX	XXX																
Lublprostone IBS	PIIIA	SPI021131B-0431	12-week multicenter, double blind randomized efficacy and safety study of Lublprostone in subjects with IBS-C	XXX																
	PIIIB	SPI021131B-0432	12-week multicenter, double blind randomized efficacy and safety study of Lublprostone in subjects with IBS-C	XXX																
	PIVB	###	Open Label Extension	XXX																

Study Font Color

Study X Ongoing

Study X Planned

Study X Completed

On target to achieve milestone

Milestone at risk of being delayed

Milestone delayed

Milestone accelerated

Confidential Materials omitted and filed separately with the
Securities and Exchange Commission. Asterisks denote omissions.

Exhibit 10.26

SERVICE AGREEMENT

This agreement (the "Agreement") is made as of February 9, 2006 (the "Effective Date") by and between VENTIV COMMERCIAL SERVICES, LLC, a New Jersey limited liability company ("Ventiv"); and SUCAMPO PHARMACEUTICALS, INC., a Delaware corporation ("Client"). Ventiv and Client may each be referred to herein as a "Party" and collectively as the "Parties".

1. The Services — In consideration for the compensation and schedule provided in Exhibit A, Ventiv shall provide Client with a field force of Ventiv employees that shall consist of thirty-eight (38) hospital medical center representatives (the "Ventiv Medical Center Representatives") who shall exclusively market and promote Client's Product (as defined in Section 3 below). Ventiv shall provide candidates for Ventiv Medical Center Representatives and Client shall participate in the recruitment, interview and hiring process; although the Parties understand and agree that all decisions regarding hiring and firing shall be made by Ventiv. The Ventiv Medical Center Representatives shall work on a full-time basis (i.e., [**] days per year in the field) on the Client's account. The Ventiv Medical Center Representatives shall be managed by one shared Project Manager and one shared Team Leader, each of whom shall be an employee of Ventiv and shall assist in the provision of the Services (as defined below) to Client on a non-exclusive basis (i.e. the shared Project Manager and shared Team Leader, expressly subject to Section 1 (f) (iv) below, shall perform services for other Ventiv clients during the Term hereof). The shared Project Manager, shared Team Leader and Ventiv Medical Center Representatives shall collectively be referred to herein as the "Project Team". The primary Client contact for the Ventiv Project Team shall be Client's Director of Marketing and National Sales Director (the "Primary Client Contacts"). The Primary Client Contacts shall provide field direction for the Project Team in connection with the marketing and promotion of Client's Product, as such term is defined below. Ventiv shall perform the services and obligations specified in this Section 1 of the Agreement (collectively, the "Services"):

(a) Implementation — With respect to Client's Product and in addition to the recruitment and employment of the Project Team, Ventiv shall:

(i) train the Ventiv Medical Center Representatives on compliance with applicable heath care laws and regulations including OIG Guidance, the PhRMA Code on Interactions with Healthcare Professionals, the Federal Food, Drug and Cosmetic Act ("FDCA") and the Medicare/Medicaid anti-kickback statute. Ventiv shall also provide the Ventiv Medical Center Representatives with training on selling skills (using Ventiv's proprietary selling skills program, Rx Advantage), and human resource policies and procedures. As set forth in Section 4 below, Client shall provide all training concerning the Product. The aforementioned training shall consist of [**] of home study with respect to only Client's Product and [**] of in-person initial training provided by Ventiv. All training shall be conducted utilizing informative materials prepared by Client and provided to the Ventiv Medical Center Representatives and shall occur prior to Deployment (as defined in Section 1(b) below);

(ii) with Client, develop marketing and promotion program procedures, and administer as directed by Client;

(iii) with Client, customize marketing and promotion program processes, and administer as directed by Client; and

(iv) with Client, establish marketing and promotion program performance parameters, goals and metrics, and administer as directed by Client.

(v) provide [**] Rapid Recall market research surveys at no additional charge.

In all cases relating to (i) through (iv) above, Ventiv shall provide Client, promptly after creation by Ventiv and prior to use by Ventiv, with a complete copy of all training materials developed by Ventiv and/or used for the benefit of Client. Ownership of all such materials shall remain with the originator of such materials, as set forth more fully in Section 7 (b) below. Notwithstanding the foregoing, in the event Ventiv incorporates Client's material (including Product information, data, technology, business strategies, historical business cases, projections, and/or other information generally related to Client's products or business practices) (the "Client Material") as an integral part of any such training materials developed by Ventiv in connection with the Services (the "Combined Training Material"), Ventiv agrees that the Client Material and Combined Training Material shall be treated as Confidential Information pursuant to Section 7 of this Agreement and that Ventiv will use such Combined Training Material only for the benefit of Client.

(b) Deployment — Under direction of Primary Client Contacts, Ventiv shall deploy the Ventiv Medical Center Representatives throughout the Territory (as defined below in Section 1(h)) and provide each with all compensation and all support necessary for the Ventiv Medical Center Representatives to maximize their promotion and marketing efforts solely for the benefit of Client. Deployment shall include but not be limited to:

(i) the administration, payment and/or provision by Ventiv to the Ventiv Medical Center Representatives of all salary and benefits;

(ii) timely provision, administration and maintenance of all appropriately-featured handheld PDAs, laptops (including Target Software sales force automation software) and printers;

(iii) timely provision, administration and maintenance of fleet automobiles for use by the Ventiv Medical Center Representatives; and

(iv) administration and payment of bonuses as determined by prior written mutual agreement of the parties.

The shared Project Manager and shared Team Leader shall assist the Primary Client Contacts in providing management of the Ventiv Medical Center Representatives. As employees of Ventiv, Ventiv shall provide the Project Manager and Team Leader with salary and benefits. Ventiv shall also provide turnover recruiting and training of the Project Team and administer office costs/operational supplies in addition to the pass-through expenses associated with this Agreement. As set forth in this Agreement, "Deployment" or "Deployment Date" means the date the Ventiv Medical Center Representatives commence the marketing and promotion of the Client's Product pursuant to this Agreement. The Deployment Date is April 17, 2006.

(c) Meetings — All meetings between Client and Project Team shall be on the dates, times and places as determined by Client pursuant to written direction from Primary Client Contact to Project Team, with Client paying for any travel cost and expense of Project Team to be present at such meetings, so long as Client has pre-approved such travel cost and expense prior to being incurred by Ventiv and any of its employees or affiliates.

(d) Reports —

(i) Ventiv shall provide Client with standard data activities and reports in accordance with Exhibit B attached hereto.

(ii) Any customized or "non-standard" data activities or reports (i.e., data activities or reports requiring material changes in the nature of the data or formatting) requested in writing by Primary Client Contact to Ventiv in accordance with Exhibit B herein shall be prepared by Ventiv for Client after Ventiv has first provided Client with a written scope of work and maximum cost/charge for Ventiv to prepare such customized or "non-standard" activity or report, with Primary Client Contact being required to approve in writing each such scope of work and maximum cost/charge prior to Ventiv commencing any work related thereto. Client shall pay Ventiv [**] Dollars ($[**]) per hour in increments of one-quarter hour for the actual preparation of such customized or "non-standard" reports, up to the maximum number of hours and cost/charge set forth in the written scope of work therefor, as pre-approved in writing by Client.

(iii) Ventiv represents and warrants that Ventiv's standard operating procedures for producing such reports (attached hereto as Exhibit B, Section 2) will govern all reports produced for Client. At its sole cost and expense, Client or Client's agent (subject to appropriate confidentiality restrictions approved in advance by Ventiv) shall have the right (up to once per year during the Term) to conduct an audit or investigation to ensure that the reports produced in accordance with this Agreement are in compliance with Ventiv standard operating procedures solely for purposes of verifying report quality as it relates to this Agreement. Client shall provide at least seven days prior written notice of its desire to conduct an audit pursuant hereto and any audit shall be conducted by Client in such a manner so as to not interfere with Ventiv's business operations. Provided however that should any audit conducted pursuant to this paragraph (d) reveal material errors in the reports or that such reports have not been produced in accordance with Ventiv standard operating procedures, Client may perform another audit during

the same one year period.

(e) Sample Accountability — On Client's behalf, Ventiv shall implement and maintain a sample accountability program in accordance with Exhibit C Attachment 1. The sample accountability program shall be in compliance with applicable federal and state laws, regulations, and guidelines, including but not limited to the Prescription Drug Marketing Act and its implementing regulations ("PDMA"). The fees of the sampling program are set forth in Exhibit A, and the terms of the sampling program are set forth more fully in Exhibit C attached hereto. Ventiv, through it affiliate, Promotech Research Associates, Inc. ("Promotech"), shall be responsible for shipment of Product samples and Product literature to the Ventiv Medical Center Representatives in accordance with PDMA guidelines, and confirming all returned samples. Client is responsible for taking all action required or suggested by the Food and Drug Administration ("FDA"), including but not limited to reporting of adverse events, and, where applicable, notifying the FDA, and all supplemental communications with respect to any of the above activities by Client.

(f) Product Literature; Promotion — In strict accordance with Section 2 below, Ventiv shall be responsible for:

(i) ensuring that only the Product and Product literature approved by Client are distributed by the Ventiv Medical Center Representatives;

(ii) promoting and marketing the Product in a manner that complies with applicable federal and state law, including but not limited to, the Federal Food, Drug and Cosmetic Act ("FDCA") and PDMA;

(iii) cooperating with Client, at Client's expense, to conduct any necessary recalls of the Product and/or Product literature; and

(iv) ensuring that during the Term, the Ventiv Medical Center Representatives, Team Leader and Project Manager do not promote or market a product from a third party which competes with the Product.

(g) Physician Validation — Within fourteen days of its receipt from Client of a list of Targets (as defined below) who are physicians to be contacted and personally visited by the Ventiv Medical Center Representatives to promote the use of Client's Product in accordance with Section 2 below, Ventiv shall provide license verification services which shall consist of validation of all such physicians against a current list of state license numbers in order to confirm that such physicians are holders of current state medical licenses. All additions, changes and off-list potential Targets shall be validated in advance by Ventiv. Fees for this service are set forth in the Exhibit A, Item 6.

(h) The territory where the Product will be promoted, marketed and sold by the Ventiv Medical Center Representatives will be the United States (the "Territory"). The Ventiv

Medical Center Representatives shall contact, personally visit, solicit, and provide details of the Product to physicians, hospitals, teaching hospitals, VA hospitals, medical schools and long term care facilities to whom and where the Product has a reasonable likelihood of being prescribed, purchased and/or used (each a "Target" and collectively, the "Targets") located in the Territory pursuant to Client's territory alignment.

(i) Ventiv shall provide to Client, during the Term hereof, the warehousing services and product sample and distribution services (collectively, the "Promotech Services" as more fully described in Exhibit C. Ventiv agrees that during the first six month period of the Term hereof, pricing for the Promotech Services shall be Ventiv's cost therefor [**] and that during the remainder of the Term hereof, pricing for the Promotech Services shall be Ventiv's cost therefor [**].

(j) Notwithstanding anything herein to the contrary, neither Ventiv nor Ventiv Project Team members shall at any time promote Client Product for any indications not approved by the FDA. Client shall ensure that none of its regional managers, Primary Client Contacts and other Client employees requests that any member of the Project Team promote the Product for any indication not approved by the FDA.

2. Compliance with Applicable Requirements —

(a) Ventiv shall comply with all applicable laws; regulations; guidance provided by the FDA, the Department of Health and Human Services or other governmental agency; and policies and procedures of Client with respect to the marketing of the Product, communications with healthcare providers, and the distribution of samples. In particular, and without limiting the foregoing:

(i) Ventiv shall ensure that promotional messages are consistent with approved product labeling, shall adhere to standards no less rigorous than those set forth in Client policies and procedures for communications with and courtesies provided to healthcare professionals (a copy of which is attached hereto as Exhibit D) that do not create a conflict of interest, and shall meet all applicable requirements for the distribution of samples to healthcare providers (including but not limited to all requirements in 21 CFR Part 203, except requirements pertaining to the labeling of samples and the reporting of any information to FDA, which shall be the responsibilities of Client).

(ii) Ventiv shall ensure that all such laws, regulations, guidance, policies and procedures are followed by its employees, agents, affiliates, contractors, subcontractors, and all persons through whom it undertakes the responsibilities in this Agreement.

(iii) Ventiv shall assume full responsibility for accounting for, storing, handling, and maintaining records for all samples upon receipt of such samples by Ventiv from Client.

(iv) Ventiv shall not alter, modify or otherwise change any label, labeling, advertisement, sample, promotional material or other materials provided to it by Client without Client's express written permission.

(b) Ventiv shall immediately notify Client of any falsification of drug sample requests, receipts or records; any diversion of drug samples; any loss or theft or sale of samples; any legal action against any of its employees relating to pharmaceutical manufacture or marketing (including any conviction of any representative of any law involving the sale, purchase or trade of any drug sample or the offer to sell, purchase or trade a drug sample); any alteration of any materials provided by Client; any request for information on unapproved uses of the Product; any communication with FDA or other governmental agency about the activities covered by this Agreement; and any other matter that may relate to an actual or potential violation of such laws, regulations, guidance, policies or procedures.

(c) At Client's sole cost and expense, once per year or more frequently where extraordinary circumstances exist, during the Term, Client shall have the right to conduct an audit or investigation to ensure that the activities covered by this Agreement are in compliance with laws, regulations, guidance, policies or procedures. Any such audit shall be conducted by Client or Client's designated third-party auditor (subject to appropriate confidentiality restrictions approved in advance by Ventiv) in such a manner so as to ensure there is no interference with Ventiv's business operations. Subject to Section 7 hereof and compliance with laws and court or regulatory orders, Ventiv shall cooperate with Client in any such audit or investigation, and Client shall have access to all relevant facilities, records and employees of Ventiv. In any interaction with or investigation by any governmental agency regarding the activities covered by this Agreement, Ventiv shall take no action on its own, but shall coordinate with Client and follow Client's directions with respect to communications with such agencies, subject to compliance with laws and court or regulatory orders. Provided however that should any audit conducted pursuant to this paragraph (c) reveal significant compliance issues relating to the Services, Client may perform another audit during the same one year period.

(d) Ventiv hereby warrants and represents that it shall not hire employees that are or have been debarred or convicted of any violation of law involving the sale, purchase, or trade of any drug sample.

(e) Warranties:

(i) Ventiv represents and warrants that it is under no obligation or restriction nor will it assume any such obligation or restriction which would in any way interfere or be inconsistent with, or present a conflict of interest concerning, the Services to be furnished by Ventiv or the obligations undertaken by the Ventiv pursuant to this Agreement.

(ii) Ventiv represents and warrants that written materials and documents to be prepared by Ventiv and submitted to Client pursuant to this Agreement do not violate any copyright or other intellectual property right of any third party.

(iii) Ventiv represents and warrants that the Services will be performed in a professional manner consistent with generally accepted industry standards.

(iv) Ventiv warrants that to the best of its knowledge, no deliverable provided pursuant hereto which is delivered in electronic format will contain any virus or computer software code, routines or devices designed to disable, damage, impair, erase, deactivate, or electronically repossess such deliverable or other software or data.

(v) Client represents and warrants, that its Product training (including all Client provided training materials), as well as the program pursuant to which Ventiv shall provide Services hereunder, complies with all applicable state and federal laws as well as all statutes, laws, ordinances, rules and regulations of all governmental and regulatory authorities.

(vi) Client represents and warrants that the trademarks, trade names and trade dress and the promotion of the Product by Ventiv does not infringe on any intellectual property or product marketing rights of any other person or entity.

3. The Product; Right to Promote; Market — Client's Product (or the "Product") is Amitiza 24 microgram soft gelatin capsule. Such Product shall be marketed by the Ventiv Medical Center Representatives strictly in accordance with FDA-approved labeling. All pricing decisions relating to the Product shall be made by Client. Client retains the right to promote and market the Product to supplement Ventiv's Services, and retains the right to accompany Ventiv employees when promoting and marketing Product. All promotion other than promotion conducted by the Project Team, including but not limited to advertising and website hosting, are Client activities. Client retains the right to establish and amend all messaging guidelines. The Product shall be promoted by Ventiv under trademarks owned by or licensed to Client and is a product which is either owned by Client or which Client has all lawful authority (state and federal) necessary to market and sell such Product in the Territory. This Agreement does not constitute a grant to Ventiv of any property right or interest in the Product or the trademarks owned by or licensed to Client and/or any other intellectual property rights which Client owns now or in the future. Ventiv recognizes the validity of and the title to all of Client's owned or licensed trademarks, trade names and trade dress in any country in connection with the Product, whether registered or not.

4. Client Responsibilities — Client is responsible for: (i) identification of a list of Targets and a Territory alignment (with assistance from Ventiv) and has provided such to Ventiv, (ii) employing a certain number of regional managers to provide field direction, management and marketing communications to the Ventiv Medical Center Representatives, (iii) production of Product samples and Product literature, (iv) sending Product samples and product literature to Promotech for distribution to the Ventiv Medical Center Representatives, (v) all Product-specific training, and (vi) all communications with the FDA concerning the Products.

5. Additional Services —

(a) To support the Services to be performed by Ventiv (as set forth in Section 1 hereof), Client hereby appoints Ventiv as its exclusive provider of the following services (the "Supporting Services") to be performed by Ventiv for the benefit of Client's employees with regard to the Product:

(i) Fleet Management — See Exhibit E

(ii) Sales Force Automation — See Exhibit F

(b) Ventiv shall also be Client's primary provider of recruiting services (as set forth in Exhibit G attached hereto).

(c) To the extent any provisions or terms set forth in an exhibit conflict with the terms set forth in the body of this Agreement, the terms set forth in the exhibit shall govern and control.

6. Ventiv Compensation and Accounting Records — In accordance with the terms in this Section 6, Ventiv shall receive compensation from Client for performance of the Services and Supporting Services provided hereunder as set forth in Exhibit A attached hereto and made a part hereof.

(a) Billing Terms —

(i) Client will be invoiced monthly in arrears for all fees, unless otherwise set forth herein or with other terms approved in writing by Client and Ventiv prior to invoicing. For Client's reconciliation purposes, all invoices relating to this Agreement will reference this Agreement regardless of vendor producing invoice. Invoices are due within [**] days of receipt by Client. If not paid within [**] days of receipt by Client, there will be a finance charge of 1.5% monthly, applied to the outstanding balance due.

(ii) Pass-through Costs will be invoiced to Client at actual cost as incurred by Ventiv. With the exception of meetings planned by Ventiv on Client's behalf (and expenses associated therewith), Ventiv shall send Client invoices for Pass-through Costs within [**] days following receipt of documentation of such Pass-through Costs and shall include appropriate documentation to support such expenses. With respect to meetings planned by Ventiv on Client's behalf (and expenses associated therewith), Ventiv shall submit to Client an estimate of such costs prior to commencement of the meeting. Ventiv will update the estimate for any Client requests outside the scope of the original assumptions used for the estimate. Ventiv will bill actual costs for the meeting (and expenses associated therewith) upon receipt of all documentation of expenses incurred for such meeting.

(iii) If Client disputes any portion of an invoice, Client shall promptly notify Ventiv in a writing setting forth in detail the nature and extent of such dispute (a "Dispute Notice") and both parties shall work in good faith to resolve the matter quickly. Undisputed

portions of an invoice shall be paid in accordance with the terms hereof. If needed, Ventiv will re-invoice the charges at which point Client shall pay the corrected invoice unless Client continues to dispute the revised invoice. Within twenty (20) business days of delivery to Ventiv of the Dispute Notice, management representatives from both Parties shall meet to resolve any dispute regarding an invoice. The Parties agree that disputes regarding invoices shall be resolved by the Parties within a commercially reasonable period of time.

(b) Accounting Records

Ventiv will maintain true and complete financial records relating to the Services performed under this Agreement, including pass-through expenses and labor hours applied in connection with the Services. At Client's sole cost (up to once per year during the Term and for two years thereafter) Client or Client's authorized agent (subject to appropriate confidentiality restrictions) will have the right to audit, at any reasonable time during normal business hours and upon at least ten (10) business days prior written notice to Ventiv, on a confidential basis, such records for the purpose of verifying the amounts charged under this Agreement. Any such audit shall be conducted by Client in such a manner so as to ensure no interference with Ventiv's business operations. Provided however that should any audit conducted pursuant to this paragraph (b) reveal material discrepancies in the financial records relating to the Services, Client may perform another audit during the same one year period.

7. Confidentiality; Ownership of Property —

(a) During the performance of the Services contemplated by this Agreement, each Party may learn confidential, proprietary, and/or trade secret information of the other Party. The Party disclosing Confidential Information shall be referred to as the "Disclosing Party" and the Party receiving Confidential Information shall be referred to as the "Receiving Party."

"Confidential Information" shall mean any information, unknown to the general public, which is disclosed by the Disclosing Party to the Receiving Party under this Agreement and shall include, without limitation, technical, trade secret, commercial and financial information about either Party's (i) research or development; (ii) marketing plans or techniques, contacts or customers; (iii) organization or operations; (iv) business development plans (i.e., licensing, supply, acquisitions, divestitures or combined marketing); (v) Product, licenses, trademarks, patents, other types of intellectual property or any other contractual rights or interests (including without limitation processes, procedures and business practices involving trade secrets or special know-how) and (vi) in the case of Ventiv, the names and work assignments of the members of the Project Team, provided, however, that all Data (as defined in Section 8 below) and information concerning the results of the Services provided hereunder which are compiled by Ventiv (including but not limited to the Ventiv Medical Center Representatives) in performing the Services hereunder shall be deemed to be the exclusive Confidential Information of Client. The Receiving Party shall neither use or disclose Confidential Information from the Disclosing Party for any purpose other than is specifically allowed by this Agreement.

Upon the expiration or termination of this Agreement, the Receiving Party shall return to

the Disclosing Party all tangible forms of Confidential Information, including any and all copies and/or derivatives of Confidential Information made by either Party or their employees as well as any writings, drawings, specifications, manuals or other printed or electronically stored material based on or derived from Confidential Information. Any material or media not subject to return must be destroyed and certified as such by the destroying Party to the other Party. The Receiving Party shall not disclose to third parties nor use anything related to any Confidential Information of the Disclosing Party or any reports, recommendations, conclusions or other results of work relating to the Confidential Information of the Disclosing Party under this Agreement without prior consent of an officer of the Disclosing Party. The obligations set forth in this Section 7, including the obligations of confidentiality and non-use shall be continuing and shall survive the expiration or termination of this Agreement and will continue for a period of five (5) years.

The obligations of confidentiality and non-use set forth herein shall not apply to the following: (i) Confidential Information at or after such time that it is or becomes publicly available through no fault of the Receiving Party; (ii) Confidential Information that is already independently known to the Receiving Party as shown by prior written records; (iii) Confidential Information at or after such time that it is disclosed to the Receiving Party by a third party with the legal right to do so; (iv) Confidential Information required to be disclosed pursuant to judicial process, court order or administrative request, provided that the Receiving Party shall so notify the Disclosing Party sufficiently prior to disclosing such Confidential Information as to permit the Disclosing Party to seek a protective order.

(b) All materials and documents supplied to either Party during the Term of this Agreement, including but not limited to sales force automation software, report designs, and sales training materials shall be the sole and exclusive property of the originator of those materials and developments ("Ventiv Property" or "Client Property" as applicable), provided, however, that all Data (as defined in Section 8 below) and information concerning the results of the Services provided hereunder which are compiled by Ventiv and/or the Ventiv Medical Center Representatives in performing the Services hereunder shall be deemed to be the exclusive Confidential Information of Client. Each Party agrees to hold all such property and developments confidential in accordance with this Section 7 of the Agreement.

8. Disposition of Computer Files and Client Materials — Ventiv will take reasonable and customary precautions, including periodic backup of computer files, to prevent the loss or alteration of Client Property, Data (as defined hereafter) and documentation. "Data" means all information submitted by Client, Ventiv and/or the Project Team to be processed for the benefit of Client, as contemplated by this Agreement, wherever residing, in all media and in any form, including raw data, compilations, analyses and summaries of such information. Data shall include, but not be limited to, information about clients, physicians and medical entities and all reports and compilations prepared by Client, Ventiv and/or the Project Team in connection therewith. Both Parties recognize that Ventiv cannot guarantee against any such loss or alteration, however, Client shall not be liable for any expenses related to Ventiv's loss or alteration of Client Property and/or Data. Client will be notified immediately in writing of such

loss or alteration of Client Property and/or Data, and all reasonable efforts shall be made by Ventiv and Ventiv third-party vendors under this Agreement to recover such loss or alteration. Upon termination of this Agreement and as directed by Client, Ventiv will dispose of Client computer-stored files and study materials according to Ventiv's internal standard operating procedures. Client may communicate any special request for the disposition of Client Property and/or Data in writing to Ventiv. Client shall bear all costs incurred by Ventiv in complying with any such written instructions furnished by Client. Ventiv will provide a written estimate to Client, and Client will provide written approval, of all such costs prior to any action by Ventiv.

9. Independent Contractors — Ventiv and its directors, officers, and the persons providing services under this Agreement, including the Ventiv Medical Center Representatives, are at all times independent contractors with respect to Client. Persons provided by Ventiv to perform Services shall be deemed to be employees of Ventiv and shall not be deemed to be employees of Client. Client shall not be responsible for Ventiv's acts or the acts of its officers, agents, employees and the Ventiv Medical Center Representatives while such persons are performing the Services, whether present on Client premises or elsewhere.

Ventiv shall not be responsible for any cost, however, attributable to: (i) any actions by Client that caused a person provided by Ventiv to perform services under this Agreement to be reclassified as an employee of Client, (ii) any unlawful or discriminatory acts of Client, and (iii) any language in any Client employee benefit plan (as such term is defined Section 3(3) of ERISA), and any other incentive compensation, stock option, stock purchase, incentive, deferred compensation, supplemental retirement, severance and other similar fringe or employee benefit plans, programs or arrangements that may be sponsored at any time by Client or any of its affiliates that cause any Ventiv employee to be reclassified by a governmental or regulatory agency or a court as an employee of Client.

10. Ventiv Personnel —

(a) Except as otherwise set forth in Section 10(b) below, Client may not employ or retain any member of the Project Team during the Term of this Agreement or within one (1) year after the termination of this Agreement without the prior written approval of Ventiv, which may be withheld by Ventiv in its sole and absolute discretion; provided, however, that nothing in this Agreement shall restrict Client from employing any member of the Project Team who terminates his or her employment with Ventiv without any assistance, encouragement or solicitation by Client (provided further that such member of the Project Team may not be employed or otherwise retained by Client until the three (3) month anniversary of the termination or expiration of this Agreement).

(b) Conversion — Client may solicit, employ or retain at any one time, any or all of the Ventiv Medical Center Representatives performing Services hereunder (a "Conversion") provided that: (i) such hiring may not occur prior to the first anniversary of the Deployment Date and (ii) Client provides at least ninety (90) days' prior written notice to Ventiv of any proposed Conversion. In the event Client wishes to implement a Conversion, Client shall pay Ventiv a fee of $[**] per Ventiv Medical Center Representative (in the event the Conversion

occurs after one year anniversary of the Deployment Date and prior to the two year anniversary of the Deployment Date) and $[**] per Ventiv Medical Center Representative (in the event the Conversion occurs on or after two year anniversary of the Deployment Date). Client understands and agrees that the decision to accept employment with Client pursuant to the terms hereof, rests solely with each Ventiv Medical Center Representative.

(c) Notwithstanding anything to the contrary set forth herein, Client agrees during the Term of this Agreement and for one (1) year thereafter not: (i) to provide information (i.e., name, address, phone number or e-mail address) concerning any member of the Project Team to any third party that provides or proposes to provide contract sales services to Client or (ii) to assist actively in any other way such a third party in employing or retaining a member of the Project Team. Client shall pay or cause the third party to pay Ventiv $[**] for each Ventiv employee so employed or retained as liquidated damages for breach of this section.

11. Indemnification — For the purposes of this Section 11, "Liability" shall mean losses, liabilities, costs, expenses (including reasonable attorneys' fees), claims (including without limitation, claims for bodily or personal injury or property damage), penalties, judgments and/or other damages. The Parties agree to follow the procedures set forth in Section 11(c) below.

(a) Ventiv shall defend, at its own cost and expense, and indemnify and hold harmless Client, its officers, directors, agents and employees ("Client Indemnified Parties") from and against any third party Liability which results from (i) any reckless, negligent or willful acts or omissions by Ventiv, its agents, directors, officers, or employees, including but not limited to the Ventiv Medical Center Representatives, (ii) acts or omissions outside the scope of the Services to be provided by the Project Team pursuant to this Agreement, or (iii) any material breach of this Agreement by Ventiv, its agents, directors, officers or employees, including but not limited to the Ventiv Medical Center Representatives. In the event of any such claim against Client Indemnified Parties by any third party, Client shall promptly notify Ventiv in writing of the claim and Ventiv shall manage and control, at its sole cost and expense, the defense of the claim and its settlement. Client's failure to provide such notice to Ventiv shall constitute a waiver of Ventiv's indemnification obligations under this Section 11(a) if, and only if, Ventiv is materially damaged by such failure. Client Indemnified Parties shall cooperate with Ventiv and may, at their option and expense, be represented in any such action or proceeding. Ventiv shall not be liable for any litigation costs or expenses incurred by Client Indemnified Parties without Ventiv's prior written authorization. Notwithstanding anything to the contrary set forth herein, Ventiv shall not be responsible for the indemnification or defense of any Client Indemnified Party arising from any act or omission requiring Client to indemnify Ventiv pursuant to Section 11(b) below.

(b) Client shall defend, at its own cost and expense, and indemnify and hold harmless Ventiv, its officers, directors, agents, and employees ("Ventiv Indemnified Parties") from and against any third party Liability which result from (i) any reckless, negligent or willful acts or omissions by Client, its agents, directors, officers or employees, (ii) any material breach of this

Agreement by Client, its agents, directors, officers, or employees, or (iii) any products liability warranty or negligence claim relating to the Product. In the event of any such claim against the Ventiv Indemnified Parties by any third party, Ventiv shall promptly notify Client in writing of the claim and Client shall manage and control, at its sole cost and expense, the defense of the claim and its settlement. Ventiv's failure to provide such notice to Client shall constitute a waiver of Client's indemnification obligations under this Section 11(b) if and only if Client is materially damaged by such failure. Ventiv Indemnified Parties shall cooperate with Client and may, at their option and expense, be represented in any such action or proceeding. Client shall not be liable for any litigation costs or expenses incurred by the Ventiv Indemnified Parties without Client's prior written authorization. Notwithstanding anything to the contrary set forth herein, Client shall not be responsible for the indemnification or defense of any Ventiv Indemnified Party arising from any act or omission requiring Ventiv to indemnify Client pursuant to Section 11(a) above.

(c) Indemnification Procedure —

(i) Each indemnified Party agrees to give the indemnifying Party written notice, as soon as is practicable, but in any event within thirty (30) days if possible, of any Liability or the discovery of fact upon which such indemnified party intends to base a request for indemnification under Section 11(a) or 11(b).

(ii) Each Party shall furnish promptly to the other Party (upon written request from such Party) copies of all papers and official documents received in respect of any Liability. The indemnified Party shall cooperate with the indemnifying Party, at the indemnifying Party's expense, in providing witnesses and records necessary in the defense against any Liability.

(iii) With respect to any settlement of Liability relating solely to the payment of money damages (i.e., such settlement will not result in the indemnified Party's becoming subject to injunctive or other relief, will not contain an admission of guilt and otherwise will not adversely and materially affect the business of the indemnified party in any manner), and as to which settlement the indemnifying Party shall have acknowledged in writing the obligation to indemnify the indemnified Party hereunder, the indemnifying Party shall have the sole right to defend, settle, or otherwise dispose of such claim, on such terms as the indemnifying Party, in its sole discretion, shall deem appropriate.

(iv) With respect to all other settlements of Liability, the indemnifying Party shall obtain the written consent of the indemnified Party, which shall not be unreasonably withheld, prior to ceasing to defend, settling, or otherwise disposing thereof.

(v) The indemnifying Party shall not be liable for any settlement or other disposition of a loss by the indemnified Party that is reached without the written consent of the indemnifying Party.

12. Term — This Agreement shall be in effect as of the Effective Date and shall remain in effect through March 29, 2008 (the "Term"); provided, however, that either Party may

terminate this Agreement prior to that time as provided in Section 13. The period from March 30, 2006 until March 29, 2007 shall be referred to herein as “Year One” and the period from March 30, 2007 until March 29, 2008 shall be referred to herein as “Year Two”. Unless earlier terminated as provided under Section 13, this Agreement will renew for additional periods of one year each (each an “Additional Term”), upon written agreement by the Parties to be executed at least sixty (60) days prior to the end of the Term. The compensation to Ventiv, as set forth in Exhibit A, for any Additional Term must be agreed upon and set forth in the written agreement between the Parties to be executed at least sixty (60) days prior to the end of the Term.

13. Termination —

(a) Notwithstanding anything else contained in this Agreement to the contrary, this Agreement may be terminated by Ventiv or Client upon giving written notice as follows:

(i) by Ventiv, if payment to Ventiv by Client is not made when due and such payment is still not made within thirty (30) days from the date of notice to Client of such nonpayment, provided such payment is not being handled as in accordance with Section 6(a)(iii) or

(ii) by either Party, in the event that the other Party has committed a material breach of this Agreement and such breach has not been cured within sixty (60) days of receipt of written notice from the non-breaching Party specifying in detail the nature and extent of such breach; or

(iii) by Client, without cause, upon ninety (90) days prior written notice to Ventiv; provided, however, that the actual termination date shall not be prior to the one year anniversary of the Deployment Date; or

(iv) by either Party, in the event that the other Party has become insolvent or has been dissolved or liquidated, filed or has filed against it, a petition in bankruptcy and such petition is not dismissed within sixty (60) days of the filing, makes a general assignment for the benefit of creditors; or has a receiver appointed for a substantial portion of its assets.

(b) In the case of any termination of this Agreement during Year One by Client or Ventiv under Section 13 of this Agreement, Client shall (in addition to all other payment obligations under this Agreement) promptly pay (or if paid by Ventiv, promptly reimburse Ventiv): the amount due any lessor or rental agent of the equipment provided by Ventiv to members of the Project Team pursuant hereto (i.e., laptop computers, handheld PDA’s, and fleet automobiles (collectively, the “Equipment”)), for any early termination of the lease or rental agreement. In addition, Client may elect to either: (i) in the event the Equipment is owned by Ventiv, accept transfer of the Equipment from Ventiv and pay an amount equal to the net book value (if any) of the Equipment on the books of Ventiv at the time of the transfer, or in the event the Equipment is subject to a lease or finance lease, and to the extent allowed by the governing lease documents, seek transfer of the Equipment to Client from Ventiv (subject to the last sentence of this Section 13 (b) and Client shall assume the responsibility for all further payments

due (including costs associated with the transfer), or (ii) pay Ventiv the net loss to Ventiv on such Equipment determined by the difference between the net book value of such Equipment and the actual net price received by Ventiv for the disposal of such Equipment, plus any costs associated with the disposal of said Equipment. Any proposed transfer of Equipment shall be subject to Client establishing its own relationship and credit with the entity that Ventiv contracted with to lease or rent such Equipment.

(c) Upon the effective date of such termination, the Parties shall have no further obligation to each other (other than those set forth in Sections 6 ("Ventiv Compensation and Accounting Records"), 7 ("Confidentiality; Ownership of Property"), 8 ("Disposition of Computer Files and Client Materials"), 10 ("Ventiv Personnel"), 11 ("Indemnification"), 13 (c) (this provision), 14 ("Publicity; Press Releases") and 15 ("Miscellaneous"), except that Client shall pay the amounts set forth or provided for in all of the exhibits attached hereto through the actual date of termination, and Ventiv shall continue to provide all Services through the actual date of termination.

14. Publicity; Press Releases —

Nothing contained in this Agreement shall be construed as conferring any rights to use in advertising, publicity or other marketing activities any trade name or trademark owned or used under license to Client or Ventiv, as case may be, or other designation of Client or Ventiv, including any contraction, abbreviation, or simulation of any of the foregoing, and disclosing party agrees not to use the existence of this Agreement in any promotional activity without the express written approval of the other party and with regard to Ventiv's promotional activity the signature of Client's Chief Executive Officer and Client's IP Committee in each instance.

Neither party shall disclose the terms, conditions or subject matter of this Agreement without the prior written consent of the other unless, in the judgment of the disclosing party, such disclosure is:

(a) In response to a valid order of a court or other governmental body of the United States or any political subdivision thereof; provided, however, that Ventiv shall first have made a reasonable effort to obtain a protective order requiring that the information or documents so disclosed be used only for the purposes for which the order was issues; or

(b) As may be required by law; or,

(c) As may be necessary to establish its rights under this Agreement.

Notwithstanding anything to the contrary stated in this section, upon Client's receipt of written consent from Ventiv (which shall not be unreasonably withheld or delayed), Client may disclose certain terms and conditions of this Agreement to third parties that are providing services to Client, provided: (i) such information shall be used by third party solely in connection with Client's business operations; (ii) Client shall limit the disclosure to only such information as is required or necessary to be disclosed; and (iii) Client has an agreement with such third party that

obligates the third party to hold the disclosed terms and conditions of this Agreement confidential.

15. Miscellaneous

(a) Each Party represents to the other that the execution, delivery and performance of this Agreement by such Party has been duly authorized by all requisite corporate action; that the Agreement constitutes the legal, valid, and binding obligation of such Party, enforceable in accordance with its terms (except to the extent enforcement is limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally and by general principles of equity); and that this Agreement and performance hereunder does not violate or constitute a breach under any organizational document of such Party or any contract, other form of agreement, or judgment or order to which such Party is a party or by which it is bound.

(b) In addition to the insurance set forth in Exhibit E ("Fleet Management Services"), each Party shall have and maintain such type and amount of insurance covering the development, manufacture, promotion, supply, use, and sale, (as applicable to such Party) of Product as is normal and customary in the pharmaceutical industry generally for parties similarly situated in commercially reasonable amounts with carriers with a Best rating of A-XII or better and include contractual liability, including in the case of Client product liability insurance in the amount of at least $25 million. Additionally, Ventiv shall be named as an additional insured on such product liability insurance. If carried under claims made form, this insurance shall be carried by each Party for a minimum of ten (10) years following the termination of this Agreement. In addition, upon written request, each Party will provide the other with a copy of its policies of insurance or a certificate of insurance in that regard, along with any material amendments and revisions thereto. Additional insurance requirements in connection with certain of the Additional Services are set forth in the exhibits attached hereto.

(c) Neither Ventiv nor Client may assign this Agreement or any of its rights, duties or obligations hereunder without the other Party's prior written consent; provided, however, that either Ventiv or Client may assign its rights, duties and obligations as part of an acquisition of Ventiv or Client, as the case may be, so long as the acquirer (i) is a financially capable business entity with financial resources and business capabilities that are at least as extensive as the Party being acquired, and so long as the acquired Party remains financially liable (i.e. not liable for performance) under this Agreement in addition to the acquirer, and (ii) expressly assumes in writing those rights, duties and obligations under this Agreement and this Agreement itself.

(d) This Agreement supersedes all prior arrangements and understandings between parties related to the subject matter of this Agreement.

(e) Noncompliance with the obligations of this Agreement due to a state of force majeure, the laws or regulations of any government, regulatory or judicial authority, war, civil commotion, destruction of facilities and materials, fire, flood, earthquake or storm, labor strikes organized by a national labor union, shortage of materials or failure of public utilities or common

carriers due to the preceding conditions, and any other causes beyond the reasonable control of the applicable Party, shall not constitute a breach of contract.

(f) If any provision of this Agreement is finally declared or found to be illegal or unenforceable by a court of competent jurisdiction, both parties shall be relieved of all obligations arising under such provision, but, if capable of performance, the remainder of this Agreement shall not be affected by such declaration or finding.

(g) This Agreement, including any attachments or exhibits entered into hereunder, contains all of the terms and conditions of the agreement between the parties and constitutes the complete understanding of the parties with respect thereto. No modification, extension or release from any provision hereof shall be affected by mutual agreement, acknowledgment, acceptance of contract documents, or otherwise, unless the same shall be in writing signed by the other Party and specifically described as an amendment or extension of this Agreement.

(h) This Agreement shall be construed according to the laws of the State of New York and any action brought by either Ventiv or Client in connection with this Agreement shall be brought in the state or federal courts located in the State of New York.

(i) This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

(j) Any notices required or permitted under this Agreement shall be given in person or sent by first class, certified mail to:

Ventiv:
Ventiv Commercial Services, LLC
200 Cottontail Lane
Somerset, New Jersey 08873
Attention: Terrell G. Herring, President and Chief Executive Officer

with a copy to:
David Blatteis, Esq.
Norris, McLaughlin & Marcus, P.A.
721 Route 202-206
P.O. Box 1018
Somerville, New Jersey 08876-1018

Client:
Sucampo Pharmaceuticals, Inc.
4733 Bethesda Avenue, Suite 450
Bethesda, MD 20814
Attention: Director, Legal Department

or to such other address or to such other person as may be designated by written notice given from time to time during the term of this Agreement by one Party to the other.

(k) In no event, except as expressly provided herein, will either Party be liable to the other Party on a claim of any kind for special, indirect, incidental or consequential damages, including without limitation, loss of anticipated profits, damage to business reputation, costs of preparing claims, costs of tooling or equipment, arising with respect to Services terminated pursuant to the terms hereof or this Agreement.

WHEREFORE, the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

VENTIV COMMERCIAL SERVICES, LLC

By: /s/ Terrell G. Herring
Name: Terrell G. Herring
Title: President & CEO

SUCAMPO PHARMACEUTICALS, INC.

By: /s/ Sachiko Kuno, Ph.D.
Name: Sachiko Kuno, Ph.D.
Title: President & CEO

List of Attached Exhibits

Exhibit A	"Ventiv Compensation — Fees, Incentives and Pass-through Compensation"
Attachment 1 to Exhibit A	"Promotech Pricing"
Exhibit B	"Database Activity, Sales Reports and Analysis, Standard Operating Procedures"
Exhibit C	"Product Sample and Product Literature Warehousing and Distribution (Promotech Services)"
Attachment 1 to Exhibit C	"Sampling and Sample Accountability Policies and Procedures"
Exhibit D	"Sucampo Pharmaceuticals, Inc. Compliance Program on Communications to Healthcare Professionals and Promotional Activities"
Exhibit E	"Fleet Management Services for Client Employees"
Exhibit F	"Sales Force Automation Software Services"
Exhibit G	"Recruiting Services"

EXHIBIT A
VENTIV COMPENSATION — FEES, INCENTIVES AND PASS-THROUGH COMPENSATION

1. Ventiv Monthly Management Fee (Fixed Fee)

"Monthly Management Fee" includes fixed fees for Services provided in accordance with Agreement Sections 1(a), 1(b), 1(d)(i), 1(e), and 1(f).

Commencing March 30, 2006, the first date of hire of Ventiv Medical Center Representatives, Ventiv shall invoice Client and Client shall pay Ventiv a Fixed Monthly Fee in accordance with the following:

Period	Monthly Fee
March 30, 2006 - March 29, 2007 (Year One)	$[**]
March 30, 2007 - March 29, 2008 (Year Two)	$[**]

* For March 30, 2006 through April 17, 2007, Client shall receive a credit of $[**] per Ventiv Medical Center Representative per day in the event Ventiv has hired less than 38 Ventiv Medical Center Representatives.

2. Pass-Through Costs

In addition to the fixed fees, certain expenses will be charged to Client on a pass-through basis. These expenses will be billed to Client at actual cost incurred by Ventiv. Pass through expenses approved by Client shall include:

— Ventiv Medical Center Representative bonuses (including employer portion of taxes)

— Shared Team Leader bonus (including employer portion of taxes) up to [**] of the total annual bonus

— All Project Team travel associated with this Agreement

— All costs associated with National Training Meeting and POA Meetings

— Third Party data acquisition costs

— DME funds

— Phone and internet provider costs in excess of $[**] per Ventiv Medical Center Representative per month. These pass-through costs will not exceed $[**] per Ventiv Medical Center Representative per month.

Additional pass-through costs associated with a particular service to be provided by Ventiv are set forth in this Exhibit A.

3. Ventiv Incentive Fees

(a) Ventiv Incentive Fees represent a pool of money which will be paid to Ventiv by Client on the achievement of certain goals as set forth below. [**] percent ([**]%) of the incentive pool in Year One (i.e. $[**]) will be paid upon Ventiv's recruitment, hiring and training of the Ventiv Medical Center Representatives as set forth in detail below and [**] ([**]%) of the incentive pool in Year One (i.e. $[**]) shall be paid based upon maintenance in the field of a certain number of Ventiv Medical Center Representatives in certain time periods, as set forth in detail below. [**] percent of the incentive pool in Year Two (i.e. $[**]) shall be paid based upon maintenance in the field of a certain number of Ventiv Medical Center Representatives in certain time periods, as set forth in detail below.

Period	Incentive Pool Amount
March 30, 2006 – March 29, 2007 (Year One)	$[**]
March 30, 2007 – March 29, 2008 (Year Two)	$[**]

(b) Pursuant to Ventiv achieving the goals according to the terms in the table below, Ventiv shall invoice Client and Client shall pay Ventiv (in accordance with Agreement Section 5), the Ventiv Incentive Fees. Such Ventiv Incentive Fees will be achieved, reconciled and paid as follows:

Goal	Achievement Measure	Performance Period and Reconciliation Date	Payment Terms
$[**]	Recruitment and hiring of [**] or more Ventiv Medical Center Representatives by March 30, 2006	February 9, 2006 - April 16, 2006	Within thirty (30) days of April 17, 2006
	OR		
	Recruitment, hiring and training of thirty-eight (38) or more Ventiv Medical Center Representatives by April 17, 2006		
$[**]	Ventiv Medical Center Representatives working in the field at least [**] days in Performance Period	April 17, 2006 - June 30, 2006	$[**] — Within thirty (30) days of invoice
	Ventiv Medical Center Representatives working in the field at least [**] days in Performance Period	July 1, 2006 - September 30, 2006	$[**] — Within thirty (30) days of invoice
	Ventiv Medical Center Representatives working in the field at least [**] days in Performance Period	October 1, 2006 - December 31, 2006	$[**] — Within thirty (30) days of invoice
	Ventiv Medical Center Representatives working in the field at least [**] days in Performance Period	January 1, 2007 - - March 29, 2007	$[**] — Within thirty (30) days of invoice
$[**]	Ventiv Medical Center Representatives working in the field at least [**] days in Performance Period	March 30, 2007 - June 30, 2007	$[**] — Within thirty (30) days of invoice
	Ventiv Medical Center Representatives working in the field at least [**] days in Performance Period	July 1, 2007 - September 30, 2007	$[**] — Within thirty (30) days of invoice
	Ventiv Medical Center Representatives working in the field at least [**] days in Performance Period	October 1, 2007 - December 31, 2008	$[**] — Within thirty (30) days of invoice
	Ventiv Medical Center Representatives working in the field at least [**] days in Performance Period	January 1, 2008 - March 29, 2008	$[**] — Within thirty (30) days of invoice

As used in the chart above “working in the field” shall mean days in the field performing

services as well as days attending training meetings, POA meetings or other meetings as requested by Client. Number of days “working in the field” was calculated as follows: Number of Ventiv Medical Center Representatives (38) x number of expected days in the field per performance period x [**]%.

The number of days “working in the field” set forth in the above chart shall be adjusted as agreed to by the Parties to address POA meetings, convention attendance and additional administrative time spent on activities other than providing details of the Product to Targets.

4. Early Termination Fee

In the event the Agreement is terminated for any reason prior to the last day of Year One, then Client shall pay Ventiv an early termination fee in an amount equal to $[**] times the number of months remaining in Year One. This early termination fee may be prorated in the event of termination prior to the last day in any given month of Year One.

5. Reporting Fees

Outside of standard reports included in Monthly Management Fee, “non-standard” reports will be provided in compliance with Agreement Section 1(d)(ii) and (iii), and at the prices set forth in Exhibit B, Item 1, Table B.

6. Physician Validation Services

Ventiv shall invoice Client and Client shall pay Ventiv [**] dollars ($[**]) to provide validation of [**] physicians against a current list of state license numbers. Validation of additional physicians, if requested in writing in advance by Client, shall be performed by Ventiv and invoiced at a cost of $[**] for each additional physician validation performed.

7. Fees and Costs for Fleet Management Services for Client Employees

In consideration for the performance of the services set forth on Exhibit E attached hereto by Ventiv, Client shall pay Ventiv as follows:

(a) Monthly fee per the following chart:

Current Selections	Model Year	VIN	Monthly Total
Chrysler Pacifica Touring 4DR AWD SUV	2006	[**]	$[**]
Ford Freestyle SEL FWD 4DR Wagon	2006	[**]	$[**]
Saab 9-3 Aero 4DR Sedan	2006	[**]	$[**]
Saab 9-3 2.0T 4DR Sedan	2006	[**]	$[**]
Ford Explorer 4WD XLT 4.0L V6 4DR SUV	2006	[**]	$[**]
Ford Explorer 4WD XLT 4.0L V6 4DR SUV	2006	[**]	$[**]

(b) Pass through costs associated with Exhibit E services:

a. costs associated with gas as incurred through Ventiv provided gas cards

b. costs associated with maintenance as incurred by Ventiv in connection with its maintenance program

c. rental costs associated with bridge rentals

d. training travel and expenses

e. vehicle storage and rentals (if necessary)

(c) Pricing for services performed by Ventiv as set forth in Exhibit E is subject to change after prior written notice to Client in the event any vehicle is replaced.

(d) The fees set forth above assume the autos are purchased directly from the manufacturer. Purchases from a dealer lot will require a recalculation of the fees.

(e) Fleet and safety training is available for a fee of $[**] per session in Year One and $[**] in Year Two (up to [**] Client attendees), plus facilitator's travel and expenses.

(f) Ventiv Standard Driver Safety Manuals can be provided for a fee of $[**] per manual.

8. Promotech Services

In consideration for the performance of the services set forth on Exhibit C attached hereto by Ventiv, Client shall pay Ventiv as set forth on Exhibit A — Attachment 1 attached hereto.

9. Fees and Costs for Sales Force Automation Services for Client Employees

In consideration for the performance of the services set forth on Exhibit F attached hereto by Ventiv Client shall pay Ventiv the following fees:

(i) Service Fees — Client shall pay Ventiv a monthly service fee (which includes the license and maintenance fees) (collectively, the "Monthly Fee") based on the number of Client managers using the SFA:

Period	Monthly Fee Per Client Employee
Year One	$[**]
Year Two	$[**]

(ii) Pass through costs associated with Exhibit B services:

i. training travel and expense

ii. shipping and postage costs

10. Billing Terms

Ventiv shall provide invoices to Client and shall pay such invoices in accordance with Section 6 of the Agreement.

PROMOTECH
a division of ventiv commercial services

Field Force Fulfillment

4/19/2006
Version 2

Scope of Work:

PROMOTECH will provide field force fulfillment of samples and literature on behalf of Sucampo. PROMOTECH will design a custom order web site which will include thumbnails of the materials, product description, min/max quantities and shopping cart application for ordering.

Representatives will be provided an initial password (which they can then change) to place a quarterly order of materials and samples. Pricing is provided for the following shipping options regarding samples:

1. Samples to be sent via ground — signature required
2. Samples sent via 3 day air 10:30 a.m. delivery
3. Samples sent via ground freight wilt 2 hour window delivery

All literature will be shipped via UPS ground no signature required.

All samples will be shipped in full cases. All literature will be custom pick/packed in pre-bundled quantities — defined by Sucampo. It is possible that overpack of the samples will be required — pricing for this step has been included.

Ventiv will provide the updated field rosters and PROMOTECH will communicate all lot/sku information for loading into the iPAQ. Ventiv/Franklin Group will handle all reconciliations and sample accountability.

PROMOTECH will provide monthly reporting to indude: inventory (receipts/shipments/quarantine), usage, ordering history and low point inventory notification.

It is assumed there is one (1) RX products with a total of one (1) SKU and thirty (30) SKUs of promotional literature and materials.

Pallet Count Monthly:
20 — Samples
40 — Literature

Start-up and PROMOTECH services provided from March 30, 2006, through September 30, 2006, will be billed at cost [**]. PROMOTECH services provided October 1, 2006, through contract term will be billed cost [**].

Program Assumptions:

Program Duration (in months):	12	
Total Medical Center Representatives:	38	
Total Regional Managers:	4	
Total Representative Shipments:	152	Quarterly
Total Manager Shipments:	12	(1 piece of each sku — no drug)
Total cases shipped:	3,040	(20 per quarter of samples)

PROMOTECH SERVICES

Start-up (one-time fee)	Quantity	Promotech Cost	Cost [**]	Cost [**]	Total Price
Project Start-up Fee (includes website set-up)	1	$[**]	$[**]		$[**]
Total Estimated Start-up Fee					**$[**]**

PROMOTECH
a division of ventiv commercial services

Operations	Quantity	Promotech Cost	Cost [**]	Cost [**]	Total Price
Project Management	[**]	$[**]	$[**]	$[**]	$[**]
Data Systems Management Fee, monthly	[**]	$[**]	$[**]	$[**]	$[**]
Additional Computer Programming due to Client Changes, hourly		$[**]	$[**]	$[**]	—
Total Estimated Operations					**$[**]**

Warehouse Services	Quantity	Promotech Cost	Cost [**]	Cost [**]	Total Price
Receiving, hourly (assumes 10 hours quarterly)	[**]	$[**]	$[**]	$[**]	$[**]
Inventory Management/Compliance, monthly	[**]	$[**]	$[**]	$[**]	$[**]
Inventory Storage, Drug, per pallet (assumes average 30 pallets per month)	[**]	$[**]	$[**]	$[**]	$[**]
Inventory Storage, Literature, per pallet (assumes average 30 pallets per month)	[**]	$[**]	$[**]	$[**]	$[**]
Fulfillment, Drug, per case (assumes wholes cases)	[**]	$[**]	$[**]	$[**]	$[**]
Expedite: Fulfillment, Drug, per case (assumes wholes cases)			—	$[**]	—
Overpack Fee, per box			—	$[**]	—
Fulfillment Literature, hourly (assumes .5 hours per rep per shipment + 6 hours per drop ship)	[**]	$[**]	$[**]	$[**]	$[**]
Expedite: Fulfillment, Literature, hourly (assumes .5 hours per rep per shipment)			—	$[**]	—
Drop Ship Staging Fee, each (assumes 1 monthly)	[**]	$[**]	$[**]	$[**]	$[**]
Returns, hourly			—	$[**]	—
Destruction, hourly (does not includes 3rd party services)			—	$[**]	—
Total Estimated Warehouse Services					**$[**]**

TOTAL ESTIMATED PROMOTECH SERVICES **$[**]**

OTHER EXPENSES FOR CONSIDERATION

	Quantity	Price	Total Price
Literature Freight, UPS Residential Ground, each (assumes 5 per rep per shipment © 20 lbs each)	[**]	$[**]	$[**]
Boxes and Packing Materials, each	[**]	$[**]	$[**]
Drug Freight, UPS Residential Ground, delivery signature required, each (assumes 6 lbs per case)	[**]	$[**]	$[**]
Drug Freight, UPS 2nd Day Air Early AM, delivery signature required, each (assumes 6 lbs per case)	[**]	$[**]	$[**]
Drug Freight, 4-7 Deferred Business Ground with 2-hour delivery window, each rep shipment (up to 175 lbs)	[**]	$[**]	$[**]
Total Estimated Operations			**$[**]**

TOTAL ESTIMATED PROGRAM FEES **$[**]**

The above information is only an estimate, changes in scope may result in changes to the estimated costs.

As is customary in the Fulfillment and Teleservices industry, Long Distance Charges, Freight and Postage will be billed at cost.

This estimate does not include Scope of Work changes and these will be estimated separately.

The above represents expected volume based on the SOW as defined to date. Client will be billed actual activity.

EXHIBIT B

DATABASE ACTIVITY, SALES REPORTS AND ANALYSIS, STANDARD OPERATING PROCEDURES

1. Database Activity, Sales Reports and Analysis

In compliance with Section 1(d) of the Agreement and the standard operating procedures set forth below, Ventiv shall produce the reports set forth in the table below. For non-standard activities authorized in writing by the Primary Client Contacts, Ventiv shall invoice Client and Client shall pay Ventiv (in accordance with Section 6 of the Agreement) the prices set forth in the table below.

Work to be performed/requested

Table A — Database Activity Table

Standard or Non-Standard*	Database Activity	Base assumptions	Standard Annual Frequency**	Standard Timing**	Required Turnaround from Data Provision
Standard	Initial Data Loads	Data provided from one source in basic Ventiv provided layout	1	3-6 weeks prior to deployment	5 business days
Standard	Universe Deletions	Data provided from one source in basic Ventiv provided layout	4	quarterly	5 business days
Standard	Universe Merges	Data provided from one source in basic Ventiv provided layout	4	quarterly	5 business days
Standard	Universe Additions	Data provided from one source in basic Ventiv provided layout	4	quarterly	5 business days
Standard	Universe Zip/Terr Changes	Standard (zip code :from territory : to territory) format	4	quarterly	5 business days

Standard or Non-Standard*	Database Activity	Base assumptions	Standard Annual Frequency**	Standard Timing**	Required Turnaround from Data Provision
Standard	Major realignments (more than 25% of universe changes)	Standard (zip code: from territory: to territory) format	1	annually	10 Business Days
Standard	Minor realignments (less than 25% of universe changes)	Standard (zip code: from territory: to territory) format	4	quarterly	10 Business Days
Standard	Universe matches to third party	Matchable unique identifiers	N/A	N/A	5 business days
Standard	Target changes		4	quarterly	5 business days
Standard	Data Extracts	standard format-no charge for setup			10 days for initial set up/ run/qc time thereafter
Standard	Data Extracts to third party vendors	standard format-no charge for setup-per run charge (TBD with complexity.			10 days for initial set up/ run/qc time thereafter
Non -Standard	Data Set-up for third party data				

Table B — Reports Table

Standard or Non-Standard	Reports Type	Base assumptions	Standard Frequency	Standard Timing	Customizable*
Standard	Call Activity	Standard Format	n/a	daily sweep of communicated data	No
Standard	Territory Summary	Customized to specific activity measurements within set up matrix (calls, targets only, reach, frequency, sample distribution)	12	monthly (Within 10 business days of close of the month)	yes

Standard or Non-Standard	Reports Type	Base assumptions	Standard Frequency	Standard Timing	Customizable*
Non-standard	**Call Planning**	$[**] per quarter hour	as requested by Primary Client Contacts		
Non-standard	**Alignments**	$[**] per quarter hour	as requested by Primary Client Contacts		
Non-standard	**Incentive Compensation**	$[**] per quarter hour	as requested by Primary Client Contacts		
Non-standard	**Ad hoc/Customized Reporting**	$[**] per quarter hour	as requested by Primary Client Contacts		
Non-standard	**Web Portal Customizations**	$[**] per quarter hour	as requested by Primary Client Contacts		
Non-standard	**Data Extract Set Up and Modifications**	$[**] per quarter hour	as requested by Primary Client Contacts		

* For purposes of this table, “Standard” is any activity included in the Ventiv Monthly Management Fee and “Non-Standard” will charged to the Client as a pass-through Cost in accordance with Agreement Section 6.

** Customizations, expedited timeframes not due to Ventiv error, and/or increases to standard frequency of tasks will be performed at $[**] per hour, to be charged on the quarter-hour.

2. <u>Sales Reports And Analysis Production Standard Operating Procedures</u>

A. Data QC

1. Script

i. Import raw data to copy of project workspace.

ii. Verify Data file against check control numbers

iii. Check market data for new products (Verify any product adds with client).

iv. Process data using market load procedure into market data table (one data set for each market).

v. Verify and Update market period table

vi. Copy tables to production database and set applicable keys.

vii. Check imported raw data to processed market data.

viii. Check Data in CAST DB

ix. Load SFA (Sales Force Automation) device.

x. Verify Data in SFA device.

xi. Submit Change control to EDM (Electronic Data Management) to Download Market data.

2. Data loads

xii. Update or load Zip_Terr (**Zip** to **Terr**itory File).

xiii. Load raw data.

xiv. Verify professional information

1. Check all unique identifiers — no 2 professionals share an identifier.
    a. If multiple identifiers cross-reference for uniqueness.
2. Verify name, degree & specialty for each record.
3. Check addresses for p. o. boxes.
4. Verify addresses against Zip _Terr.
5. Make sure only one primary address per professional.
6. Verify all target segments and frequencies.

xv. Load data load file into Ventiv formatted file.

xvi. Run Data Verification procedure and fix all applicable discrepancies.

xvii. Execute Data Load procedure to load call plan.

xviii. Execute QC procedure to ensure correct load.

xix. Run database check to ensure database integrity.

xx. Load SFA device to check territory.

xxi. Check CAST for territory loaded in device.

xxii. Send commands to load professionals into SFA device.

B. Reports QC

1.Activity reports

i. Territory summary/ Manager summary

1. Replicate production database
2. Run activity reports.
3. Verify all data and calculations on all reporting levels.
4. Investigate and rectify all deviations.
5. E-mail /distribute to client/reps

2.Script reports

i. After script data is loaded into device, run procedures for Activity Productivity and Competitive Analysis

6. Replicate production database
7. Run script reports
8. Verify all data and calculations on all reporting levels.
9. Investigate and rectify all deviations.
10. E-mail /distribute to client/reps

C. Extracts

1.Call and professional extracts

1. Replicate production database
2. Process data extracts
3. Verify all data and calculations on all reporting levels.
4. Investigate and rectify all deviations.
5. E-mail /distribute to client/reps

EXHIBIT C
PRODUCT SAMPLE AND PRODUCT LITERATURE WAREHOUSING AND DISTRIBUTION
(PROMOTECH SERVICES)

1. GENERAL PROVISION.

1.1 Services. Promotech shall perform warehouse and fulfillment services for Client. Client shall pay Promotech in accordance with Exhibit A-Item 8 the fees set forth in Exhibit A-Attachment 1 for performance by Promotech of such Services.

1.2 Product(s). The Services shall be performed with respect to Client's product Amitiza (the "Product") and promotional materials.

2. WAREHOUSE AND FULFILLMENT SERVICES.

2.1 Description of Services. Promotech shall provide Client with warehouse and fulfillment services (the "Fulfillment Services") as more fully set forth herein. All Fulfillment Services shall be consistent with the terms of and meet the requirements of Promotech's Standard Operating Procedures concerning the Fulfillment Services (the "SOPs").

2.2 Receiving and Storage.

(a) Upon receipt of inbound Products, Promotech on behalf of Ventiv, will make a visual inspection of each inbound Product shipment, and will notify Client with reasonable promptness (consistent with regulations of the U.S. Food and Drug Administration ("FDA") under the Prescription Drug Marketing Act ("PDMA") whenever Products do not substantially conform to specifications designated by Client, provided such nonconformity is apparent upon a visual inspection. Neither Promotech nor Ventiv will dispose of any nonconforming Products without prior written authorization and instructions from an authorized representative of Client.

(b) Promotech will comply with the requirements of local, state and federal governments and agencies having jurisdiction over the Products, their storage in the Promotech premises, and their distribution as part of the Fulfillment Services, including but not limited to, the FDA, DEA and the Colorado State Board of Pharmacy.

(c) Promotech will maintain written documentation conforming to the Standard Operating Procedures as part of a shipment receipt verification system in conformation with the PDMA regulations.

(d) Promotech shall store the Products in locations and under conditions, including light and temperature, consistent with requirements set forth on the Product label.

2.3 Shipment.

(a) Sample orders shall be processed in adherence with established operating procedures and shall include a packing list with a description of the shipment including a product description, quantity and lot number. Each packing list is uniquely numbered and shall be

specifically referenced by the Ventiv Sales Representatives when acknowledging receipt of their shipments with their handheld PDAs. The packing list shall be retained by the Ventiv Sales Representative for a period consistent with Client' record retention policy. In the event the packing list cannot be located, the Ventiv Sales Representative shall use an Acknowledgment of Delivery Form provided by Ventiv and retained accordingly. In cases where, PDMA requirements are being violated, Ventiv Sales Representatives will not receive sample shipments, if there are two outstanding acknowledgment receipts through the PDA. Ventiv will cause Promotech to pick, pack and ship in accordance with the SOPs and in all cases in compliance with all applicable laws and regulations. All literature and sample orders will be placed by representatives through a custom website designed by Promotech. Representatives may order quantities, as determined by client, for materials. All materials will be shipped via a common carrier (ground freight) signature required for samples, no signature required for literature. Client may change shipping method with notification in writing. Any expenses related to shipping change will be passed to Client.

(b) Promotech will prepare a standard packing list for each shipment.

(c) Promotech will ship samples and literature on a quarterly schedule (prepared by Client) to the Ventiv Sales Representatives requesting samples through the custom order website. The order quantities are determined by the inventory in CAST. Upon prior written request from Client, Ventiv will cause Promotech to ship more frequently or on a more expedited basis upon payment of agreed to additional fees by Client.

2.4 Records and reports. Ventiv and Promotech will operate in accordance with the SOP's.

2.5 Notification of Client and Authorities. Upon Ventiv' discovery that any Product samples have been lost or stolen or that a diversion of a sample or a falsification of a sample record by a properly licensed practitioner or Ventiv Sales Representative has occurred, Ventiv shall (either directly or through Promotech), within twenty-four (24) hours, report such theft or loss to the Principal Contact Person of Client. Client will be responsible for determining whether a "theft" or a "significant loss" has occurred under the PDMA and the regulations of the FDA. Client shall also be responsible for determining whether there is "reason to believe" that a diversion of a sample or falsification of a sample record by a licensed practitioner has occurred. Client shall then be responsible for reporting the theft or loss or the diversion or falsification to the FDA (including both the 5 day telephone notice and 30-day full report requirements) and, if a controlled substance is involved, to the DEA.

2.6 Other duties.

(a) Upon two business days advance notice, Ventiv and Promotech will allow Client's personnel, designated agent, or the personnel of Ventiv to perform physical inventory audits of Products in Promotech's custody, possession or control at any time during normal business hours. Ventiv reserves the right to charge an overtime fee.

(b) Ventiv will cause Promotech to accept returned Products from Ventiv Sales Representatives and such returned Products will be placed in Quarantine at Promotech.

Promotech shall advise Client and await direction from Client with respect to the proper disposition of such returned Products.

(c) Promotech shall maintain required permits; licenses and registrations required to store and distribute Products.

3. CLIENT RESPONSIBILITIES.

3.1 Client will be solely responsible for reviewing and approving all direct mail pieces, packaging, letterhead, samples, promotional items and inserts.

3.2 Products Identification. Client shall notify Ventiv and Promotech of the lot numbers of Products being shipped by Client in advance of shipment and provide an ASN (Advanced Shipping Notice) prior to all samples and literature materials arriving at Promotech.

3.3 Noninfringement. Client represents and warrants that Client has all rights necessary to ship, store, repackage, distribute and sell the Products.

4. CHANGES.

4.1 Notice of Requested Changes. Client may request changes to the Services, in writing addressed to Ventiv reasonably in advance of the date on which a change is to be effective.

4.2 Agreement to Changed Fees. Client shall pay any additional fees for any change to the Services as determined by Ventiv promptly after receipt of Client's written request to change the Services. Client may in writing cancel any change in the Services requested, if Client finds the additional fees are not acceptable, subject to reimbursing Ventiv for any costs incurred in preparing to provide the changed Services.

EXHIBIT C — ATTACHMENT 1

SAMPLING AND SAMPLE ACCOUNTABILITY
POLICIES AND PROCEDURES

General

Ventiv shall cause the Sales Representatives to distribute samples of the Products to Targets (and to non-Targets as permitted under the terms of the Agreement) as part of the detailing activity of the Ventiv Sales Representatives, under a sampling program which complies in all respects with applicable Federal and State law and regulations, including the Federal Prescription Drug Marketing Act, as amended ("PDMA") and regulations and guidelines promulgated thereunder. The sampling program will be reviewed and approved by Client prior to implementation. In connection with the foregoing Client expressly authorizes Ventiv to distribute the Product samples during the Term of the Agreement.

Since the Agreement to which this Exhibit is attached provides for the shipment of Product samples from Client to Promotech for distribution to the Ventiv Sales Representative (and thereafter to Targets), Ventiv shall ensure Promotech stores the samples of the Products and distributes the samples to the Ventiv Sales Representatives in compliance with all applicable legal requirements, including, without limitation, the PDMA. Notwithstanding anything herein which may be interpreted to the contrary, Client shall retain all risk of loss with respect to Product samples and shall at all times maintain its own insurance with respect to their loss, damage or destruction.

Responsibility for Sample Distribution and Storage

Client shall be responsible for initial storage of samples in the aggregate and for distribution of samples to Promotech. Promotech shall be responsible for storage and distribution of the Product samples to the Ventiv Sales Representatives. Ventiv shall be accountable for samples received by the Ventiv Sales Representatives (including any storage of samples by the Ventiv Sales Representatives).

State License Number for Targets

The Call Plan shall include a list of Targets utilized by the Ventiv Sales Representatives who have been validated against a current list of state license numbers provided by IMS or other recognized vendor.

Sample Accountability Records

Ventiv shall utilize a security and audit program that includes allowance for all of: random, for cause and periodic physical inventories of samples delivered to the Sales Representatives consistent with the PDMA and applicable regulations of the FDA (including those adopted under the FDA Modernization Act of 1997). In the course of utilizing that program, Ventiv will generate Inventory Records, Reconciliation Reports and Summary Report as required by the regulations of the FDA.

Written Accountability Policies

Ventiv will prepare written policies, provide instruction and testing concerning those policies and (with the cooperation of Client) gather all required information concerning Sample Accountability issues to assure that Ventiv is in compliance with the requirements of the regulations of the FDA covering the sampling services (if any) provided by Ventiv. Those written policies and procedures will address: (i) the inventory process, (ii) an inventory schedule, (iii) the audit standards for detecting falsified and incomplete records, (iv) what is a significant loss and how it is to be identified, (v) responsibility for notifying the FDA, (vi) system for monitoring samples to identify the loss or theft of samples and (vii) the standards for storage of samples. Those written policies and procedures shall be provided to and accepted in writing by Client. In addition, Client shall prepare written policies and procedures covering shipping of samples by Client and return of samples, as applicable. Client shall provide Ventiv with a written copy of Client's written policies and procedures.

Audit Services

Ventiv will develop audit procedures including random selection audits, operational guidelines, proposed timelines and checklists to demonstrate PDMA compliance to performance requirements regarding security functions. These procedures will include random and for-cause audit criteria, on-site inventory, inspection of sample storage locations, interviews of Ventiv Sales Representatives and reconciliation services and reports. The on-site inventory of the samples in the possession of a Ventiv Sales Representative and related reconciliation services and report shall constitute a "physical audit". In addition to any other physical audits, performed by either Client or Ventiv, required by the PDMA and/or regulations thereunder and/or by the applicable written policies and procedures for the sample accountability program, a physical audit shall be conducted on each Ventiv Sales Representative upon termination of employment by Ventiv. Random signature audits will be performed by Ventiv and the results reported to Client.

Shipment of samples

Ventiv, through Promotech, is responsible for shipping Product samples directly to the Ventiv Sales Representatives, including use of appropriate delivery verification system and confirmation documentation. Ventiv shall provide Client with a written description of that delivery verification system and copies of the conformation documentation forms. Ventiv shall provide Client with all PDMA-related information concerning shipped samples as required by FDA regulations (including lot numbers). Upon written request from Client, this information may be delivered either electronically or on paper but in either case within 24 hours of the shipment of the samples. Upon written request from Client, Ventiv shall also provide all information reasonably necessary to allow Client to verify the receipt of shipped samples.

Ventiv will receive a copy of all documents confirming shipments of samples to the Ventiv Sales Representatives. Ventiv will, in all cases, reconcile the receipt of samples by each Ventiv Sales Representative with the samples shipped to that Ventiv Sales Representative, based upon the shipping records provided to it and acknowledged of delivery provided by the Ventiv Sales Representatives. All discrepancies between the sample shipping records and the

acknowledgment of delivery by the Ventiv Sales Representatives shall be identified by Ventiv. All loss of product and potential loss of product during shipment to the Ventiv Sales Representatives shall be investigated by Promotech and the Ventiv Sales Representatives. All loss of product as a loss in transit shall be and reported to Client within [**] days of confirmation discovery. Client shall determine the significant loss threshold for loss in transit and be responsible to report such loss to the FDA. All loss of Product samples or potential loss of Product samples shall be investigated by Client.

Returns

Promotech shall be responsible for confirming all returns of Product samples by Ventiv and the Ventiv Sales Representatives. Promotech will provide Ventiv with written confirmation of sample returns within [**] business days after confirming the receipt by Promotech of the returned sample. The Parties recognize that Ventiv will reconcile sample data and account for samples based (in part) on the return confirmations provided by Promotech. Client shall not remove, destroy or otherwise impair the availability of the returned samples until identified discrepancies of returned quantities have been resolved by Ventiv.

Access to Records

Ventiv shall provide Client access in less than [**].

Notification of Client: of FDA

Upon Ventiv's discovery that any Product samples have been lost or stolen, Ventiv shall, within [**], report such theft or loss to Client. In addition, Ventiv shall instruct the Ventiv Sales Representatives to obtain a police report regarding such theft. Client shall be responsible for defining the significant loss threshold for each product, and the rationale for such determination. Client will be responsible for determining whether a "theft" or a "significant loss" has occurred under the PDMA and the regulations of the FDA. Client shall also be responsible for determining whether there is "reason to believe" that a diversion of a sample or falsification of a sample record by a Ventiv Sales Representative has occurred. Client is responsible for reporting the theft or loss to the FDA.

Prescription Sample Identification

Promotech shall provide to Ventiv a report referred to as a Shipping Report, inclusive of the complete product description, lot number, quantity and expiration date by representative for shipments being made by Promotech to the Ventiv Sales Representatives. The report shall be provided in a format consistent with Ventiv's needs and within [**] of the date of shipment to the Ventiv Sales Representatives. Client shall notify Ventiv of the lot numbers of prescription samples being shipped by Client to Promotech in advance of shipment; such notice shall be given at least [**] prior to delivery to the Ventiv Sales Representatives. Ventiv will in all cases require the Ventiv Sales Representatives to keep written records by lot number of all prescription samples distributed to licensed practitioners. Ventiv will reconcile sample data according to product code.

Recalls

Ventiv shall maintain such traceability records at the product code level on samples of the Products as may be necessary to permit a recall or field correction of the Product. The decision to conduct and the right to control a recall shall be solely Client's. Ventiv shall cooperate fully with Client in connection with any recall efforts affecting the Product.

Accountability Training

The Parties recognize that such a sampling program will require incremental training in sample accountability. Ventiv, with the assistance of Client, will provide, as part of the training, all Ventiv Sales Representatives and Managers training which addresses sampling matters. Ventiv will consult with Client to assure that the Ventiv Sales Representatives will use detail bags and report forms which are acceptable to Client. Should Ventiv and/or Client determine that follow-on training is necessary in the future, Client will be responsible for the reasonable costs associated with such follow-on training.

EXHIBIT D

SUCAMPO PHARMACEUTICALS, INC.

COMPLIANCE PROGRAM

ON

COMMUNICATIONS TO HEALTHCARE PROFESSIONALS AND PROMOTIONAL ACTIVITIES

1.1 ***General Policy***

It is the policy of Sucampo Pharmaceuticals, Inc. to (i) promote our products in full compliance with law, (ii) to foster scientific research and education in medical fields relating to our products, and (iv) to ensure that our relationships with Healthcare Professionals involve no communications or remuneration that is inconsistent with laws or regulations regarding the promotion of pharmaceutical products. All Sucampo Field Representatives who interact with Healthcare Professionals or engage in promotional activities are expected to carry out both the letter and the spirit of this policy.

Field Representatives are expected to promote the products at all times in a manner consistent with the Federal Food, Drug, and Cosmetic Act and FDA regulations governing labeling and advertising of prescription drug products; relevant FDA guidance (including *Guidance for Industry on Industry-Supported Scientific and Educational Activities* (Nov. 1997)); the PhRMA Code on Interactions with Healthcare Professionals (July 1, 2002); the Department of Health and Human Services (DHHS) Office of the Inspector General (OIG) Compliance Program Guidance for Pharmaceutical Manufacturers (68 Fed. Reg. 23731, May 5, 2003) (and related anti-kickback statutes and regulations); California Health and Safety Code §119402; and other statutes and regulations as applicable.

This policy applies to communications to Healthcare Professionals and promotional activities that take place in, or are related to, the Company's products in the United States.

1.2 ***Definitions***

"The Company" refers to Sucampo Pharmaceuticals, Inc.

"Field Representatives" refers to Company employees, subcontractors, or agents involved in marketing or promoting the Company's products.

"Healthcare Professionals" refers to physicians, nurses and other medical professionals involved in patient care, and any other persons who purchase, dispense, recommend, use, arrange for the purchase of, or prescribe Company products. This would also include scientists or others who,

because of their professional reputations, may have an influence on clinical opinions even though they may not actually prescribe the products.

1.3 *Unapproved Drugs*

Field Representatives shall not engage in promotional activities for "unapproved drugs," which term shall include:

- drugs that are not the subject of an approved new drug application (NDA) (or other lawful marketing authority), or
- an unapproved indication or condition of use for an approved drug.

1.4 *Approved Drugs*

For a drug that is approved (that is, where the product and its intended use are covered by an NDA or other marketing authority), information provided by the Field Representatives must be consistent with the approved labeling.

Promotional activities shall consist of communications about an approved drug that are consistent with the approved labeling. Promotional activities shall not include communications about unapproved drugs.

Acceptable promotional activities by Field Representatives shall be truthful and not misleading, shall include a fairly balanced discussion of the benefits and risks of the drug, and may consist of:

- Meetings and other communications with Healthcare Professionals in which a drug is discussed consistently with approved labeling. At such meetings, disclosure shall be made to participants that the meeting or communication is sponsored by Company. If such meeting is offered in connection with a meal (a "Business Meal"), the location for the meal must be conducive to informational communication/discussion. Business Meals occurring outside the Healthcare Professional's office or institution are specifically limited to restaurants. No entertainment or recreational events are allowed in connection with Business Meals. Business Meals shall not be offered to the same Healthcare Professional or group of Healthcare Professionals on more than an occasional basis and shall be modest in value by local standards. Meals shall not be conditioned on any explicit or implicit agreement or understanding to use, purchase, order, recommend, arrange or provide formulary status for, prescribe or dispense any Company product. No meals may be provided to reward past purchases or past recommendations or past prescriptions to use Company products or to reward the potential for future purchases or future recommendations or future prescriptions to use Company products.
- Use of sales aids provided to Field Representatives for dissemination to Healthcare Professionals. Field Representatives may only use such sales aids provided by Company that have been approved for dissemination via the Company review process. Field Representatives must not use homemade sales aids, including any type of handwritten or printed materials addressing claims, uses or benefits of Company products, or

comparisons to competitive products. Field Representatives must not make enhancements to approved sales aids, including but not limited to modification by way of highlighting and/or underlining. Such enhancements may violate the FDA's fair balance requirements.

- Provision of drug samples to healthcare providers licensed to prescribe such drugs or, at the request of a licensed practitioner, to pharmacies of hospitals or other healthcare entities in a manner that meets all requirements of the Prescription Drug Marketing Act (PDMA), including any related regulations. In doing so, Field Representatives shall not condition sample provision on any explicit or implicit agreement or understanding to use, purchase, order, recommend, arrange or provide formulary status for, prescribe or dispense any Company product. No sample may be provided to reward past purchases or past recommendations or past prescriptions to use Company products or to reward the potential for future purchases or future recommendations or future prescriptions to use Company products. Field Representatives are in no case permitted to provide samples in exchange for any category of remuneration, goods or services.
- Provision of gifts which are restricted to $25 per person per event, with an aggregate of $100 per person per year unless further restricted by any applicable regulations. Gifts shall be limited to those that primarily benefit a Healthcare Professional's patients; relate to the Healthcare Professional's practice; serve a genuine educational function; or that prominently display Company name and logo. Gifts shall not be given on more than an occasional basis. Gifts shall not be conditioned on any explicit or implicit agreement or understanding to use, purchase, order, recommend, arrange or provide formulary status for, prescribe or dispense any Company product. No gift may be given to reward past purchases or past recommendations or past prescriptions to use Company products or to reward the potential for future purchases or future recommendations or future prescriptions to use Company products. In no case shall the Field Representative accept gifts or gratuities.

EXHIBIT E
FLEET MANAGEMENT SERVICES

Ventiv shall provide [**] Client managers (the "Client Employees") with use of a fleet automobile in accordance with the terms and conditions set forth in this Exhibit E.

1. Ventiv will provide the following fleet services ("Fleet Services") for Client Employees:

(a) Vehicle specifications and costing of vehicles for Client selection. The vehicles are listed in Section 8 below. Client and Ventiv agree that no changes may be made to the list of vehicles set forth in Section 8 below, without Ventiv having obtained the prior written consent of Wheels, Inc. (hereinafter the "Leasing Company")

(b) Ordering of company vehicles

(c) Vehicle administration and registration

(d) Presentation of fleet policies including video on defensive driving

(e) Managing daily inquiries from field

(f) Vehicle tracking and high mileage replacement

(g) Arranging for short term "bridge" rentals in advance of delivery of fleet vehicle, if applicable

(h) Provision of gas cards

(i) Management of Ventiv fleet maintenance program

(j) Sublease of vehicles from Leasing Company

2. Client Responsibilities

(a) Secure insurance in accordance with the Section 3 below, entitled, "Insurance Provisions"

(b) Maintain fleet arrangement with Ventiv for any vehicle deployed for a minimum term of one year from date of vehicle deployment

(c) Ensure that any Client Employee who fails a background check does not have access to or use of any fleet vehicle.

(d) Ensure the vehicles are driven only by those Client Employees as provided in this Agreement, and only for the purposes set forth in this Agreement.

(e) Tax compliance (employee fleet deductions, and reporting on personal use of vehicle)

(f) Costs associated with gas as incurred through Ventiv provided gas cards

(g) Costs associated with maintenance as incurred by Ventiv in connection with its maintenance program.

(h) Payment of fees and costs as set forth below

(i) Settlement costs associated disposing of the vehicles (See Termination Expense below)

(j) Client understands and agrees that Leasing Company is an express third party beneficiary of the services provided by Ventiv pursuant to this Exhibit E.

(k) Rental costs associated with bridge rentals

(l) Providing mechanism for Ventiv to receive accident reports regarding fleet automobiles.

3. Insurance Provisions.

Client shall be responsible for obtaining the appropriate insurance as set forth below and ensuring compliance with the following:

(a) Provider to be rated A-VII or better.

(b) Coverage shall include commercial automobile liability insurance on an “occurrence” basis with a combined single limit of not less than $1,000,000 per occurrence and $2,000,000 in the aggregate against bodily injury and third party property damage liability.

(c) Coverage should extend to first party physical damage coverage with a limit of actual cash value, subject to a comprehensive and collision deductible.

(d) Client to also obtain commercial umbrella insurance coverage of not less than $2,000,000 per occurrence/aggregate with the above stated policies as an underlying coverage.

(e) Coverage should extend to use of rental automobiles (in case such use is necessary).

(f) Policies to contain agreements by the insurers that such policies shall not be cancelled except upon thirty (30) days prior written notice to each named insured and each additional insured.

(g) Prior to delivery of the automobiles to Client Employees, Client to provide Ventiv with evidence of insurance coverage in compliance with the above.

4. Indemnification

(a) Client shall indemnify, defend and hold harmless (collectively, the “Obligations”) Ventiv and Leasing Company, and each of its respective officers, directors,

agents and employees, from and against any and all actual or alleged liabilities, losses, actions, damages, personal injury claims, property damage claims, death, any other claims of third parties or claims by Client's employees, or expenses and costs of any kind (including reasonable attorneys' fees) (collectively, "Damages"), any of which are directly or indirectly related to Client's (or its employees, agents or independent contractors) use or misuse of the automobiles provided by Ventiv to Client pursuant hereto. The Obligations shall include but shall not be limited to, Damages directly or indirectly related to a driver's possession and use of the vehicle and any traffic violations in which said vehicles may be involved. The Obligations are absolute and unconditional and apply without consideration of fault (comparative or otherwise).

(b) Client's obligation to indemnify, defend and hold harmless Ventiv and Leasing Company (and each of its respective officers, directors, agents and employees) shall depend upon Ventiv providing notice to the Client of any claim or lawsuit giving rise to the indemnity obligation; however, failure to comply with this notice requirement shall not reduce the Client's indemnification obligation except to the extent that Client is clearly prejudiced as a result. Thereafter, the Client shall have control over the handling of the claim or lawsuit, provided, however, that: (i) Ventiv shall have the right to participate in the defense of the claim at its own expense through counsel of its choice (control of the defense will remain with the Client), (ii) Client shall not consent to the entry of any judgment or enter into any settlement that would require any act or forbearance on the part of the Ventiv or Leasing Company or which does not unconditionally release Ventiv and Leasing Company from all liability in respect of the claim without the prior written consent of Ventiv, and (iii) Ventiv may undertake the defense of the claim, at the Client's expense, if Client fails promptly to assume and diligently to prosecute the defense.

5. No Warranty.

Client understands and agrees that: there are no warranties or other rights provided by Ventiv or Leasing Company (other than the automobile manufacturer's warranties which have been assigned to Ventiv). Neither Ventiv nor Leasing Company makes any representation or warranty of any kind, express or implied, with respect to any vehicle, including its design, operation or condition, merchantability, or its fitness for a particular purpose. Neither Ventiv nor Leasing Company shall have any liability to Client or its customers or third parties for any direct, indirect, special or consequential damages of any kind or nature directly or indirectly arising out of Ventiv's lease with Leasing Company or any vehicle provided to Client hereunder or any damages based on strict or absolute tort liability or negligence. Client acknowledges that neither Ventiv nor Leasing Company is the manufacturer, designer or distributor of the vehicle and neither Ventiv nor Client has any ownership rights with respect to the vehicles. Ventiv and the Leasing Company shall have no liability whatsoever for any failure of or delay in delivery of the vehicle or for the breach of any representation or warranty made by the manufacturer.

6. Security Interest.

Client acknowledges and agrees that the interest of Client in the vehicles is limited to a sublessee's interest and is subject to and subordinate to the lease agreement (the "Lease") between Ventiv and Leasing Company. Client acknowledges and agrees that it has no ownership interest in the vehicles and that the Lease is a true lease, that Leasing Company is the owner of

the vehicles, that the interest of Client in the vehicles is subject to and subordinate to the ownership interest of Leasing Company. In the event that, for any reason, the Lease is deemed not to be a true lease, Client acknowledges and agrees that the interest of Client in the vehicles is subject to and subordinate to the security interest and lien of Leasing Company. In the event of a default by Ventiv under the Lease, Client agrees that Leasing Company shall have all rights provided in the Lease, including, but not limited to, the right to repossess the vehicles from Client; provided, however, that Lessor will take no action to disturb Client's quiet enjoyment of the vehicles so long as Client is not in default under this Agreement or under this Exhibit E.

7. Termination Expense.

In the case of any termination of the Agreement by Client or Ventiv, or at the end of Term (or any Additional Term), Client shall (in addition to all other payment obligations under this Agreement) promptly pay (or if paid by Ventiv, promptly reimburse Ventiv): the amount due any lessor or rental agent of the automobiles provided to Client's employees, for any early termination of the lease or rental agreement. In addition, Client may elect to either: (i) subject to the consent from Leasing Company, transfer the automobiles and the related lease or rental obligations to Client, and pay an amount equal to the net book value (if any) of the automobiles on the books of Ventiv at the time of the transfer event, and further in the case of any lease or finance lease, Client shall assume the responsibility for all further payments due or (ii) pay Ventiv the net loss to Ventiv on such automobiles determined by the difference between the net book value of each automobile and net price received by Ventiv for the disposal of such automobile, plus any amounts due by Ventiv in connection with the lease or rental termination (inclusive of any prepaid taxes). Any proposed transfer of the automobiles shall be subject to Client establishing its own relationship and credit with the entity that Ventiv contracted with to lease or rent the automobiles.

8. List of Vehicles.

Client and Ventiv agree that, with respect to the vehicles set forth below: (i) Client will utilize no Leasing Company fleet number other than the Leasing Company fleet number assigned to Client, and (ii) the vehicles may not be transferred to any other Leasing Company fleet number unless Leasing Company otherwise agrees in writing.

Leasing Company Unit No.	Year	Make	Model	VIN
922KW	2006	Chrysler	Pacifica Tourig 4dr AWD SUV	[**]
032KX	2006	Ford	Freestyle SEL FWD 4DR Wagon	[**]
332KT	2006	Saab	9-3 Aero 4DR Sedan	[**]
501KT	2006	Saab	9-3 2.0T 4DR Sedan	[**]
500KX	2006	Ford	Explorer 4WD XLT4.0L V6 4DR SUV	[**]
432KX	2006	Ford	Explorer 4WD XLT 4.0L V6 4DR SUV	[**]

EXHIBIT F
SALES FORCE AUTOMATION SERVICES

Ventiv shall provide, in accordance with in Exhibit A Item 9, a laptop computer to [**] Client regional managers, each installed with the following Target Software, Inc. product:

- Target Mobile Web Sales Management Edition

1. Sublicense Grant; Ownership of Intellectual Property Rights; Restrictions. (a) Client acknowledges that Target Software, Inc. ("Target Software") is the sole owner of all rights, title and interest in and to the above referenced software system (the "SFA") (including but not limited to all intellectual property contained therein and including without limitation, all modules and components, and all existing versions and any versions to be developed in the future in any media now known or hereafter to be developed) and that Ventiv is merely a licensee of SFA pursuant to that certain License Agreement by and between Target Software and Ventiv (the "Target Software License"). Client expressly agrees and acknowledges that Client has engaged Ventiv to perform the Services and that Client shall look solely to Ventiv for any breach by Ventiv of its performance obligations arising from the performance of said Services.

(b) Subject to the terms, conditions and restrictions herein set forth, including without limitation, payment of the monthly service fees set forth below, Ventiv hereby grants, and Client accepts, a limited, nonsublicensable, nonexclusive, non-transferable, non-assignable sublicense (the "Sublicense") to Use SFA in accordance with the terms and conditions herein set forth for the Term. For purposes of the sublicense herein granted, "Use" means the copying of all or any portion of SFA from storage units or media for processing and operation, provided that any such use is for Client's internal business purposes only and is limited to the purposes for which SFA is designed. Client acknowledges that it understands and agrees that Ventiv, as a licensee of SFA, is itself authorized to only use SFA in accordance with the Target Software License, and therefore, the scope of the license granted to Ventiv is thereby limited. Client agrees and acknowledges that neither it nor its employees shall, during the Term or at any time thereafter, directly or indirectly, alone or with any person, use all or any portion of SFA in any manner which is inconsistent with its intended purpose or in any manner which violates the terms of this Agreement or which is otherwise inconsistent with the permitted Use. Without limiting the foregoing, Client agrees that neither it nor its employees shall:

(i) sell, lease, rent, loan, assign, pledge, encumber, sublicense, distribute, resell or otherwise transfer all or any part of SFA;

(ii) transfer, share, disclose, assign, sublicense or otherwise transfer SFA or any confidential or proprietary information related thereto, to any third party;

(iii) permit any person to use SFA other than those Client employees who are authorized to use SFA unless such person is engaged by Client to perform general maintenance and services on Client's computer systems and the person has executed a non-disclosure agreement with substantially the same confidentiality obligations and Use restrictions regarding SFA as are set forth herein;

(iv) decompile, disassemble, reverse engineer or otherwise attempt to discover any source code or underlying trade secrets of Target Software, Inc. and/or contained in SFA;

(v) remove, obscure or alter any copyright notice, restricted rights legend or other notice of proprietary rights that appears or is contained on or in SFA;

(vi) modify, adapt, alter, or translate SFA;

(vii) export SFA or the direct product of such software outside the United States except as authorized by the laws and regulations of the United States and any export permits that may be required;

(viii) use SFA in violation of applicable copyright laws, trade secret laws or other intellectual property laws;

(ix) merge SFA with any other software to create a new program or library of programs wherein SFA loses its own identity;

(x) sublicense or transfer SFA to any third party for a service business, outsourcing or any other purpose;

(xi) otherwise use or copy SFA without the express prior written consent of Target Software, Inc.;

(xii) Use SFA after the expiration or earlier termination of the Term; or

(xiii) allow more than the previously agreed upon number of Client managers to use any server-based or mobile component of SFA in connection with the Services (unless Client agrees to pay the additional fees as set forth below).

(c) Client acknowledges that all materials and intellectual property created or generated by Target Software in connection with the performance of any technical support or related services hereunder shall be the sole and exclusive property of Target Software, provided that, as between Ventiv, Client and Target Software, all Data (as defined below) shall be the sole and exclusive property of Client. Client further acknowledges that Target Software reserves all right, title and interest in and to SFA, the related documentation (the "Documentation"), and any updates thereto or new versions thereof, and to materials created or generated by Target Software in connection with the performance of any services related thereto. Client hereby assigns to Target Software all rights, titles, and interest in and to any and all derivative works of SFA, the Documentation, materials created by Target Software. While the foregoing assignment is intended to be self-executing, without the need for additional written agreement or acknowledgment, Client shall execute and deliver any additional written agreement evidencing such assignment upon the request of Target Software. In addition, Client acknowledges that SFA and its structure, organization and source code constitute valuable trade secrets of Target Software. Nothing in this Agreement shall be construed to give Client any right, title or interest to Target Software's proprietary information, other than the sublicense rights granted by Ventiv hereunder and subject to the terms and conditions herein set forth. In any event, neither Ventiv nor Target Software shall have any rights, title or interest in Client's Data (as hereinafter

defined). “Data” means all information submitted by Client to be processed by SFA, as contemplated by this Agreement, wherever residing, in all media and in any form, including raw data, compilations, analyses and summaries of such information. Data shall include, but not be limited to, information about Sales Representatives, clients, physicians and medical entities and all reports and compilations prepared by Client in connection therewith. Data shall not include any call reports, call data or related call information.

(d) Client is aware and acknowledges that Target Software has made no representation, and has not granted any warranty, express or implied, nor has Target Software otherwise assured that (i) Client’s use of SFA shall meet Client’s requirements; (ii) operation of SFA shall be uninterrupted or error free; (iii) SFA shall operate in the combination that may be selected for use by Client; or (iv) SFA complies with any regulations including CFR Title 21, Parts 11, 203 and 205 (the “Regulations”) or any other applicable statute, code, law or regulation.

Notwithstanding the foregoing, the Parties understand that Target Software has no actual knowledge of any deficiencies and/or defects in SFA as of the date hereof that would prevent compliance with the Regulations when utilized in accordance with the documentation written by Target Software in connection with SFA (the “Documentation”) and when configured and Used in concert with appropriate standard operating procedures (“SOP’s”), which SOP’s are and shall remain the sole and absolute responsibility of Client and Ventiv. Client and Ventiv hereby agree and acknowledge that the creation and implementation of such SOP’s, and therefore the Use and compliance of any results obtained through Use of SFA, are based upon Client’s interpretation of the Regulations together with any other laws, regulations, ordinances or rules which Client determines to be applicable to Client’s operations and compliance. Client hereby agrees, affirms, represents and acknowledges that the ultimate burden of compliance with any law, regulation, rule, ordinance, statutory scheme or other requirement (including, without limitation, the Regulations) is and shall remain the sole and absolute responsibility of Client and Ventiv with respect to the Services, as contemplated by this Agreement.

(e) Term of Sublicense. The Parties hereto understand and agree that the Sublicense granted hereunder shall be for a term consistent with the Term and any applicable Additional Term (as defined in Section 10 of the Agreement). Notwithstanding the foregoing, the Sublicense granted hereunder shall automatically terminate (without the necessity of any further action by either Party) upon the first of the following to occur: (i) the expiration or earlier termination of this Agreement (as set forth in Section 11 of the Agreement); or (ii) the termination of the Target Software License (a “Termination Event”). Ventiv represents that it has received such approvals and consents from Target Software as is necessary to enter into this Agreement and provide the SFA upon the terms and conditions set forth herein.

(f) Assignment of Sublicense. The Sublicense granted by this Agreement may not be assigned or transferred by Client without the prior written consent of Target Software and Ventiv, provided, however, that subject to the provisions of this Section, Client may (without the need for the consent of Target Software and Ventiv) assign said Sublicense in connection with a corporate restructuring or acquisition of Client (whether by asset purchase, stock purchase, merger, consolidation or otherwise) which restructuring or acquisition (i) shall not result in any significant change in the number or identity of end-users of SFA or the customer base of Client,

and (ii) shall not involve a successor entity engaged in business operations directly competitive with the business operations of either Ventiv or Target Software, and provided, in each case, that such successor entity and acquirer (if applicable) executes and delivers an agreement, in form and substance reasonably satisfactory to Ventiv and Target Software, pursuant to which such assignee assumes all obligations respecting SFA set forth in this Agreement. Any attempt to assign or transfer the Sublicense set forth in this Agreement in violation of this section shall be void.

(g) Client understands and acknowledges that Client has contracted hereunder directly with Ventiv (and not Target Software) for the performance of the Services. Therefore, notwithstanding Target Software's consent to the Sublicense and Client's permitted use of the SFA in connection with this Agreement, Client shall look solely to Ventiv for any breach by Ventiv of its performance obligations hereunder.

(h) Ventiv and Target Software may disclose, on their websites, in press releases, sales materials and in standard presentations to potential customers, that Client uses the Target SFA and the scale of usage of such software by Client (i.e., number of users, etc.), only upon receipt of prior written consent from Client in each instance, in Client's sole discretion.

2. Limitation of Liability. NEITHER PARTY NOR TARGET SOFTWARE, INC. ("TARGET SOFTWARE") SHALL BE LIABLE WITH RESPECT TO ANY SUBJECT MATTER OF THIS EXHIBIT F UNDER ANY CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, BREACH OF WARRANTY (EXPRESS OR IMPLIED) OR OTHER THEORY FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION, ANY LOSS OF REVENUES, PROFITS OR DATA OR THE COSTS OF PROCUREMENT OF SUBSTITUTE PRODUCTS BY CLIENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN ADDITION, THE COLLECTIVE LIABILITY OF VENTIV AND TARGET SOFTWARE FOR DIRECT DAMAGES RESULTING FROM THE PERFORMANCE OF THE SERVICES SET FORTH IN THIS EXHIBIT F SHALL BE LIMITED TO THE FEES ACTUALLY PAID BY CLIENT TO VENTIV FOR THE SIX (6) MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO THE CLAIM.

EXHIBIT G
RECRUITING SERVICES

1. Ventiv shall assist Client with the recruitment of Client's managers. Client shall pay Ventiv a recruitment fee in the amount of [**] percent ([**]%) of each new Client manager's: (i) first year salary, and (ii) signing bonus (if applicable), and (iii) first year incentive compensation bonus. If during the first [**] days of employment, the Client manager is discharged by Client for cause (in accordance with Client's employment policies and handbook), Ventiv shall find a replacement free of charge.

2. Additional recruiting services and the applicable fees for such services are set forth in Section 7 of this Exhibit G. In the event Client desires for Ventiv to conduct additional recruiting services on its behalf, Client shall provide Ventiv with a written request (an "Open Position Request") setting forth all newly opened or recently formed positions to be filled by Ventiv. Upon receipt of the Open Position Request, Ventiv will contact Client to determine Client's preferred candidate profile and interview availability. Within thirty (30) days of Ventiv's receipt of an Open Position Request, Ventiv will use commercially reasonable efforts to provide Client with [**] candidates for each open position, each of whom shall be ranked based upon such candidate's qualifications and availability. Each candidate shall be pre-screened by Ventiv to determine if such candidate meets certain agreed upon criteria. Upon written request, Ventiv will adopt and implement the screening tools and/or systems utilized by Client.

3. If the [**] candidates provided by Ventiv are unacceptable to Client, Client shall send to Ventiv, in writing (e-mail is acceptable), a request for additional candidates (who have been pre-screened by Ventiv) to be produced for interviews until such time as the vacant position(s) is filled. Ventiv will conduct all communication with external candidates including initial contact, screening, and notification of rejection.

4. Client and Ventiv understand and agree that Ventiv shall be exclusively responsible for the performance of background checks on candidates.

5. Ventiv will not discriminate in the referral or acceptance of potential candidates on the basis of race, color, religion, age, national origin, marital status, sexual orientation, disability or other protected classification. Ventiv will comply with all applicable Federal, State and local fair employment laws and regulations in the course of performing its obligations hereunder.

6. Client and Ventiv understand and agree that: (i) Client is solely responsible for all hiring decisions, and (ii) Ventiv has no responsibility for the acts or omissions of any candidate hired by Client.

7. Types of Recruitment Services and Applicable Fees and Costs.

Division	Service Name	Description	Price
Recruitment Services ™	**Background Investigations**	Criminal Felony & Misdemeanor; Drug Testing; Education Report; Employment Report; MVR; SSN Trace; Debarment	$[**] per investigation
Recruitment Services ™	**Contingency Search**	Review client needs, develop profile, provide screened candidates meeting Client profile, charge fee upon placement	[**]% of base salary + signing bonus + first year incentive comp. bonus

Exhibit 21.1

The Registrant currently has no subsidiaries. Upon closing of this offering, the Registrant will have the following subsidiaries.

Name	Jurisdiction of Formation
Sucampo Pharma Europe Ltd.	England and Wales
Sucampo Pharma, Ltd.	Japan

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated June 19, 2006 relating to the combined financial statements of Sucampo Pharmaceuticals, Inc. and affiliated companies (Sucampo Pharma Europe, Ltd. and Sucampo Pharma, Ltd.), which appears in such Registration Statement. We also consent to the references to us under the headings “Experts” and “Selected Financial Data” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland
June 19, 2006

Exhibit 99.1

Consent of Leerink Swann & Co., Inc.

We consent to the reference to MEDACorp, a division of our company, and to the use of information excerpted from a MEDACorp survey, as outlined in the attached document, in conjunction therewith in the registration statement on Form S-1 and the related prospectus of Sucampo Pharmaceuticals, Inc. (the "Registration Statement"). For the avoidance of doubt, neither MEDACorp nor Leerink Swann & Co., Inc. is acting as an "expert" in connection with any MEDACorp information contained in the Registration Statement.

Leerink Swann & Co., Inc.

By: /s/ Kevin Devereaux
Name: Kevin Devereaux
Title: Director Compliance,
Leerink Swann & Co

Date: 5/31/06

Excerpted Information from MEDACorp Survey to be used in connection with the Registration Statement of Sucampo Pharmaceuticals, Inc.

"According to a physician survey conducted by MEDACorp, an independent strategic consulting firm focusing on the healthcare sector and a division of Leerink Swann & Co., Inc., one of the managing underwriters for this offering, estimates that approximately 4.0 million Americans suffer from liver cirrhosis, with approximately 1.5 million of those individuals also diagnosed with portal hypertension."

WILMERHALE

Brent B. Siler

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June 19, 2006

BY ELECTRONIC SUBMISSION

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Sucampo Pharmaceuticals, Inc.
Registration Statement on Form S-1

Ladies and Gentlemen:

Submitted herewith for filing on behalf of Sucampo Pharmaceuticals, Inc. (the "Company") is a Registration Statement on Form S-1 relating to the registration under the Securities Act of 1933, as amended (the "Securities Act"), of $86,250,000 of shares of Class A common stock of the Company.

This filing is being effected by direct transmission to the Commission's EDGAR System. On June 15, 2006, in anticipation of this filing, the Company caused the filing fee of $9,229 to be wire transferred to the Commission's account at the Mellon Bank in Pittsburgh.

The Registration Statement relates to the Company's initial public offering of securities. It is the intent of the Company and the managing underwriters of the proposed offering to have the Registration Statement declared effective as early as possible.

Acceleration requests may be made orally, and the Company and the managing underwriters of the proposed offering have authorized us to represent on their behalf that they are aware of their obligations under the Securities Act with respect thereto.

Please contact the undersigned, D. Bryant Morris (202/663-6058) or Rachel Nelson (202/663-6416) with any questions or comments you may have regarding this filing.

Very truly yours,

/s/ Brent B. Siler

Brent B. Siler

cc: Dr. Sachiko Kuno
Ms. Mariam Morris