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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from to

Commission file number: 001-33137

EMERGENT BIOSOLUTIONS INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**14-1902018**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
2273 Research Boulevard, Suite 400 Rockville, Maryland	**20850**
(Address of Principal Executive Offices)	*(Zip Code)*

(301) 795-1800
(Registrant's Telephone Number, Including Area Code)

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

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

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

o Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o Smaller reporting company

(Do not check if a smaller reporting company)

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

As of July 29, 2011, the registrant had 35,850,658 shares of common stock outstanding.

Emergent BioSolutions Inc.

Index to Form 10-Q

Part I. Financial Information

Part II. Other Information

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q and the documents incorporated by reference herein contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. All statements, other than statements of historical fact, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words "anticipate," "believe," "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 ability to perform under our contracts with the U.S. government related to BioThrax® (Anthrax Vaccine Adsorbed), our FDA-approved anthrax vaccine, including the timing of deliveries;
- our plans for future sales of BioThrax, including our ability to obtain new contracts or modifications to existing contracts with the U.S. government;
- our plans to pursue label expansions and other improvements for BioThrax;
- our ability to perform under our development contract with the U.S. government for our product candidate PreviThrax™ (Recombinant Protective Antigen Anthrax Vaccine, Purified);
- our ability to perform under our contract with the U.S. government to develop and obtain regulatory approval for large-scale manufacturing of BioThrax in Building 55, our large-scale vaccine manufacturing facility in Lansing, Michigan;
- our plans to expand our manufacturing facilities and capabilities;
- the rate and degree of market acceptance of our products and product candidates;
- the success of preclinical studies and clinical trials of our product candidates and post-approval clinical utility of our products;
- our ongoing and planned development programs, preclinical studies and clinical trials;
- our ability to identify and acquire or in-license products and product candidates that satisfy our selection criteria;
- our ability to successfully integrate and develop the products or product candidates, programs, operations and personnel of any entities or businesses that we acquire;
- the potential benefits of our existing collaborations and our ability to selectively enter into additional collaborative arrangements;
- the timing of and our ability to obtain and maintain regulatory approvals for our products and product candidates;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our intellectual property portfolio; and
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this quarterly report, 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 quarterly report, including the documents that we have incorporated by reference herein or filed as exhibits hereto, completely and with the understanding that our actual future results may be materially different from what we expect. We disclaim any obligation to update any forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. ***FINANCIAL STATEMENTS***

Emergent BioSolutions Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share data)

	June 30, 2011	December 31, 2010
ASSETS	**(Unaudited)**	
Current assets:		
Cash and cash equivalents	$ 122,094	$ 169,019
Investments	5,048	2,029
Accounts receivable	47,263	39,326
Inventories	17,262	12,722
Deferred tax assets, net	7,082	2,638
Income tax receivable, net	17,136	8,728
Restricted cash	217	217
Prepaid expenses and other current assets	7,742	8,814
Total current assets	223,844	243,493
Property, plant and equipment, net	172,481	152,701
In-process research and development	51,400	51,400
Goodwill	5,029	5,029
Assets held for sale	12,548	12,741
Deferred tax assets, net	27,970	33,757
Other assets	712	1,198
Total assets	$ 493,984	$ 500,319
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 32,182	$ 25,409
Accrued expenses and other current liabilities	1,200	1,309
Accrued compensation	13,823	23,975
Contingent value rights, current portion	9,734	-
Long-term indebtedness, current portion	10,229	17,187
Deferred revenue, current portion	5,336	7,839
Total current liabilities	72,504	75,719
Contingent value rights, net of current portion	6,206	14,532
Long-term indebtedness, net of current portion	29,074	30,239
Deferred revenue, net of current portion	2,953	4,386
Other liabilities	2,017	1,882
Total liabilities	112,754	126,758
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, $0.001 par value; 15,000,000 shares authorized, 0 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	-	-
Common stock, $0.001 par value; 100,000,000 shares authorized, 35,850,658 and 35,011,423 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	36	35
Additional paid-in capital	213,320	197,689
Accumulated other comprehensive loss	(2,771)	(2,110)
Retained earnings	166,663	173,850
Total Emergent BioSolutions Inc. stockholders' equity	377,248	369,464
Noncontrolling interest in subsidiaries	3,982	4,097
Total stockholders' equity	381,230	373,561
Total liabilities and stockholders' equity	$ 493,984	$ 500,319

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

Emergent BioSolutions Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Revenues:				
Product sales	$ 71,479	$ 55,872	$ 77,076	$ 94,725
Contracts and grants	16,662	6,266	29,598	14,213
Total revenues	88,141	62,138	106,674	108,938
Operating expenses:				
Cost of product sales	16,069	11,076	17,137	18,584
Research and development	31,481	18,602	66,240	38,524
Selling, general and administrative	20,384	17,649	38,596	33,841
Income (loss) from operations	20,207	14,811	(15,299)	17,989
Other income (expense):				
Interest income	24	376	59	764
Interest expense	(6)	(2)	(6)	(7)
Other income (expense), net	(39)	6	(40)	(2)
Total other income (expense)	(21)	380	13	755
Income (loss) before provision for (benefit from) income taxes	20,186	15,191	(15,286)	18,744
Provision for (benefit from) income taxes	7,663	5,757	(4,636)	7,392
Net income (loss)	12,523	9,434	(10,650)	11,352
Net loss attributable to noncontrolling interests	1,687	374	3,463	979
Net income (loss) attributable to Emergent BioSolutions Inc.	$ 14,210	$ 9,808	$ (7,187)	$ 12,331
Earnings per share - basic	$ 0.40	$ 0.32	$ (0.20)	$ 0.40
Earnings per share - diluted	$ 0.39	$ 0.31	$ (0.20)	$ 0.39
Weighted-average number of shares - basic	35,619,514	31,097,445	35,400,906	30,989,308
Weighted-average number of shares - diluted	36,667,452	31,900,000	35,400,906	31,666,976

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

Emergent BioSolutions Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Six Months Ended June 30,	
	2011	2010
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ (10,650)	$ 11,352
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Stock-based compensation expense	5,150	3,363
Depreciation and amortization	4,514	2,646
Deferred income taxes	3,129	3,437
Non-cash development expenses from variable interest entities	3,348	185
Impairment of long-lived assets	193	1,029
Change in fair value of contingent value rights	1,408	-
Excess tax benefits from stock-based compensation	(1,786)	(709)
Other	43	(29)
Changes in operating assets and liabilities:		
Accounts receivable	(7,937)	9,107
Inventories	(4,540)	(3,595)
Income taxes	(8,408)	(6,214)
Prepaid expenses and other assets	1,557	159
Accounts payable	(766)	4,151
Accrued expenses and other liabilities	26	(329)
Accrued compensation	(10,152)	(3,346)
Deferred revenue	(3,936)	(14)
Net cash (used in) provided by operating activities	(28,807)	21,193
Cash flows from investing activities:		
Purchases of property, plant and equipment	(16,795)	(8,631)
Proceeds from maturity of investments	2,250	-
Purchase of investments	(5,269)	-
Net cash used in investing activities	(19,814)	(8,631)
Cash flows from financing activities:		
Proceeds from borrowing on line of credit	-	15,000
Issuance of common stock subject to exercise of stock options	8,695	2,784
Principal payments on long-term indebtedness and line of credit	(8,123)	(31,621)
Excess tax benefits from stock-based compensation	1,786	709
Net cash provided by (used in) financing activities	2,358	(13,128)
Effect of exchange rate changes on cash and cash equivalents	(662)	(165)
Net increase (decrease) in cash and cash equivalents	(46,925)	(731)
Cash and cash equivalents at beginning of period	169,019	102,924
Cash and cash equivalents at end of period	$ 122,094	$ 102,193

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

EMERGENT BIOSOLUTIONS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Summary of significant accounting policies

Basis of presentation and consolidation

The accompanying unaudited consolidated financial statements include the accounts of Emergent BioSolutions Inc. (the "Company" or "Emergent") and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements included herein have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission.

In the opinion of the Company's management, any adjustments contained in the accompanying unaudited consolidated financial statements are of a normal recurring nature, and are necessary to present fairly the financial position of the Company as of June 30, 2011, results of operations for the three and six month periods ended June 30, 2011 and 2010, and cash flows for the six month periods ended June 30, 2011 and 2010. Interim results are not necessarily indicative of results that may be expected for any other interim period or for an entire year.

Earnings per share

Basic net income (loss) per share of common stock excludes dilution for potential common stock issuances and is computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. Diluted net income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The following table presents the calculation of basic and diluted net income (loss) per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except share and per share data)	**2011**	**2010**	**2011**	**2010**
Numerator:				
Net income (loss)	$ 14,210	$ 9,808	$ (7,187)	$ 12,331
Denominator:				
Weighted-average number of shares—basic	35,619,514	31,097,445	35,400,906	30,989,308
Dilutive securities—equity awards	1,047,938	802,555	-	677,668
Weighted-average number of shares—diluted	36,667,452	31,900,000	35,400,906	31,666,976
Earnings per share-basic	$ 0.40	$ 0.32	$ (0.20)	$ 0.40
Earnings per share-diluted	$ 0.39	$ 0.31	$ (0.20)	$ 0.39

Stock options with exercise prices in excess of the average per share closing price during the period are not considered in the calculation of fully diluted earnings per share. For the three month periods ended June 30, 2011 and 2010, approximately 719,000 and 2.0 million options, respectively, along with 2.1 million options for the six month period ended June 30, 2011 were excluded from the calculation. These options were excluded because the exercise prices were in excess of the average per share closing price.

For the six month period ended June 30, 2011, approximately 4.0 million shares were excluded form the calculation of diluted earnings per share because the net loss attributable to Emergent BioSolutions Inc. would make these awards antidilutive.

Accounting for stock-based compensation

As of June 30, 2011, the Company has two stock-based employee compensation plans, the Amended and Restated Emergent BioSolutions Inc. 2006 Stock Incentive Plan (the "2006 Plan") and the Emergent BioSolutions Employee Stock Option Plan (the "2004 Plan" and together with the 2006 Plan, the "Emergent Plans"). The Company has granted options to purchase shares of common stock under the Emergent Plans, and has granted restricted stock units under the 2006 Plan.

The Company determines the fair value of restricted stock units using the closing market price of the Company's common stock on the day prior to the date of grant. The Company utilizes the Black-Scholes valuation model for estimating the fair value of all stock options granted. The fair value of each option is estimated on the date of grant. Set forth below are the assumptions used in valuing the stock options granted and a discussion of the Company's methodology for developing each of the assumptions used:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Expected dividend yield	0%	0%	0%	0%
Expected volatility	60%	55%	60%	55%
Risk-free interest rate	0.93%-0.97%	1.24%-1.36%	0.93%-1.04%	1.24%-1.46%
Expected average life of options	3.7 years	3.8 years	3.4 years	3.4 years

- Expected dividend yield — the Company does not pay regular dividends on its common stock and does not anticipate paying any dividends in the foreseeable future.
- Expected volatility — a measure of the amount by which a financial variable, such as share price, has fluctuated (historical volatility) or is expected to fluctuate (implied volatility) during a period. The Company analyzed its own historical volatility to estimate expected volatility over the same period as the expected average life of the options.

§ Risk-free interest rate — the range of U.S. Treasury rates with a term that most closely resembles the expected life of the option as of the date on which the option is granted.

§ Expected average life of options — the period of time that options granted are expected to remain outstanding, based primarily on the Company's expectation of optionee exercise behavior subsequent to vesting of options.

Comprehensive income (loss)

Comprehensive income (loss) is comprised of net income (loss) attributable to Emergent BioSolutions Inc. and other changes in equity that are excluded from net income (loss) attributable to Emergent BioSolutions Inc. The Company includes gains and losses on intercompany transactions with foreign subsidiaries that are considered to be long-term investments and translation gains and losses incurred when converting its subsidiaries' financial statements from their functional currency to the U.S. dollar in accumulated other comprehensive income (loss). Comprehensive income for the three months ended June 30, 2011 was $14.2 million. Comprehensive loss for the six months ended June 30, 2011 was $7.8 million. Comprehensive income for the three and six months ended June 30, 2010 was $9.4 million and $12.2 million, respectively.

2. Inventories

Inventories consist of the following:

(in thousands)	June 30, 2011	December 31, 2010
Raw materials and supplies	$ 2,171	$ 2,311
Work-in-process	11,872	7,917
Finished goods	3,219	2,494
Total inventories	$ 17,262	$ 12,722

3. Fair value measurements

The Company measures and records cash equivalents and investment securities considered available-for-sale at fair value in the accompanying financial statements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value include:

Level 1 — Observable inputs for identical assets or liabilities such as quoted prices in active markets;
Level 2 — Inputs other than quoted prices in active markets that are either directly or indirectly observable; and
Level 3 — Unobservable inputs in which little or no market data exists, which are therefore developed by the Company using estimates and assumptions that reflect those that a market participant would use.

The following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis:

	At June 30, 2011			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Investment in money market funds (1)	$ 82,897	$ -	$ -	$ 82,897
U.S. Treasury securities (2)	-	5,048	-	5,048
Total assets	$ 82,897	$ 5,048	$ -	$ 87,945
Liabilities:				
Contingent value rights	$ -	$ -	$ 15,940	$ 15,940
Total liabilities	$ -	$ -	$ 15,940	$ 15,940

	At December 31, 2010			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Investment in money market funds (1)	$ 102,360	$ -	$ -	$ 102,360
U.S. Treasury securities (2)	-	2,029	-	2,029
Total assets	$ 102,360	$ 2,029	$ -	$ 104,389
Liabilities:				
Contingent value rights	$ -	$ -	$ 14,532	$ 14,532
Total liabilities	$ -	$ -	$ 14,532	$ 14,532

(1) Included in cash and cash equivalents in accompanying consolidated balance sheets.
(2) Included in investments in accompanying consolidated balance sheets.

The fair value of U.S. Treasury securities (Level 2) is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.

The fair value of the Contingent Value Right ("CVR") obligations is based on management's assessment of certain development and collaboration milestones, which are inputs that have no observable market (Level 3). The obligation is measured using a discounted cash flow model. For the six months ended June 30, 2011, the changes in the fair value of the CVR obligations resulted from an adjustment to the discount rates and a update to the estimated timing of achievement for certain development milestones. For the three and six months ended June 30, 2011, the Company recorded charges to adjust the CVRs to fair value of $827,000 and $1.4 million, respectively. These charges are classified in the Company's statement of operations as research and development expense within the Company's biosciences segment.

The following table is a reconciliation of the beginning and ending balance of the liabilities measured at fair value using significant unobservable inputs (Level 3) for the six months ended June 30, 2011. There were no Level 3 assets or liabilities at June 30, 2010.

(in thousands)	
Balance at January 1, 2010	$ -
Fair value of CVRs issued	14,532
Expense (income) included in earnings	-

Purchases, sales, issuances and settlements	-
Transfers in/(out) of Level 3	-
Balance at December 31, 2010	$ 14,532
Expense (income) included in earnings	1,408
Purchases, sales, issuances and settlements	-
Transfers in/(out) of Level 3	-
Balance at June 30, 2011	$ 15,940

Separate disclosure is required for assets and liabilities measured at fair value on a recurring basis, as documented above, from those measured at fair value on a nonrecurring basis. As of June 30, 2011 and December 31, 2010, the Company had no assets or liabilities that were measured at fair value on a nonrecurring basis.

The carrying amounts of the Company's short-term financial instruments, which include cash, accounts receivable and accounts payable, approximate their fair values due to their short maturities. The fair value of the Company's long-term indebtedness is estimated based on the quoted prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. Both the carrying value and fair value of long-term indebtedness at June 30, 2011 was $46.6 million. The carrying value and fair value of long-term indebtedness was $49.1 million and $49.0 million, respectively, at June 30, 2010.

4. Investments

The Company invests in a variety of highly liquid investment-grade securities. The following is a summary of the Company's available for sale securities:

	At June 30, 2011			
(in thousands)	**Amortized Costs**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Market Value**
U.S. Treasury securities	$ 5,045	$ 3	$ -	$ 5,048

	At December 31, 2010			
(in thousands)	**Amortized Costs**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Market Value**
U.S. Treasury securities	$ 2,030	$ -	$ 1	$ 2,029

5. Stock options and restricted stock units

As of June 30, 2011, the Company has two stock-based employee compensation plans, the 2006 Plan and the 2004 Plan. The Company has granted options to purchase shares of common stock under the Emergent Plans and has granted restricted stock units under the 2006 Plan. The Emergent Plans have both incentive and non-qualified stock option features. The Company no longer grants equity awards under the 2004 Plan.

As of June 30, 2011, an aggregate of 8,678,826 shares of common stock are authorized for issuance under the 2006 Plan, of which a total of 2,066,728 shares of common stock remain available for future awards to be made to plan participants. Awards of restricted stock units are counted against the maximum aggregate number of shares of common stock available for issuance under the 2006 Plan as one and one-half (1.5) shares of common stock for every one restricted stock unit granted. The maximum number of shares subject to awards that may be granted per year under the 2006 Plan to a single participant is 287,700. The exercise price of each option must be not less than 100% of the fair market value of the shares underlying such option on the date of grant. Awards granted under the 2006 Plan have a contractual life of no more than 10 years. The terms and conditions of equity awards (such as price, vesting schedule, term and number of shares) under the Emergent Plans are determined by the Company's compensation committee, which administers the Emergent Plans. Each equity award granted under the Emergent Plans vests as specified in the relevant agreement and no option can be exercised after ten years from the date of grant.

The following is a summary of option award activity under the Emergent Plans:

	2006 Plan		2004 Plan		
	Number of Shares	**Weighted-Average Exercise Price**	**Number of Shares**	**Weighted-Average Exercise Price**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2010	3,397,915	$ 14.31	67,541	$ 9.80	$ 32,023,466
Granted	803,027	23.97	-	-	
Exercised	(741,222)	11.63	(14,385)	13.26	
Forfeited	(115,091)	17.73	-	-	
Outstanding at June 30, 2011	3,344,629	$ 17.14	53,156	$ 8.86	$ 19,982,072
Exercisable at June 30, 2011	1,552,664	$ 13.73	53,156	$ 8.86	$ 14,417,769

The following is a summary of restricted stock unit award activity under the 2006 Plan:

	Number of Shares	**Weighted-Average Grant Price**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2010	395,555	$ 16.09	$ 9,279,720
Granted	401,523	23.99	
Vested	(120,561)	15.91	
Forfeited	(28,065)	18.61	
Outstanding at June 30, 2011	648,452	$ 20.90	$ 14,622,593

6. Litigation

Patent Oppositions. The Company's live attenuated modified vaccinia Ankara virus ("MVA") platform technology, which has the potential to be used as a viral vector for delivery of certain vaccine antigens for different disease-causing organisms, is based in part on rights to certain MVA-related materials and technology that the Company acquired from the Bavarian State Ministry of the Environment and Public Health. From 2006 to 2008, the Company filed patent oppositions in the European Patent Office against four of Bavarian Nordic's patents covering certain aspects of MVA technology. In each of the four pending opposition proceedings, the subject patents have also been opposed by one or more additional parties, including Sanofi Pasteur, Transgene, Baxter, Virbac, and Innogenetics. The Company and the other opponents have alleged

that the opposed patents should be revoked for failure to fulfill one or more of the patentability requirements of the European Patent Convention, such as the requirements for novelty and inventive step. In each opposition, a single hearing was held before the Opposition Division of the European Patent Office, in which each opponent presented oral argument and Bavarian Nordic presented rebuttal arguments. The first of these hearings, which occurred in June 2010, resulted in the Bavarian Nordic patent under consideration being maintained but narrowed in scope. Hearings in two of the other pending oppositions occurred in October 2010. Bavarian Nordic introduced amended patent claims into the record, which claims were upheld strictly and expressly conditioned on such claims being interpreted within a narrowly-defined scope. The Company timely filed its Appeal Briefs for each of these Oppositions. The Opposition Division held its hearing for the fourth pending opposition in January 2011. As for the previous Oppositions, Bavarian Nordic introduced amended patent claims into the record, and the Opposition Division upheld the amended claims, which are narrower in scope than the originally granted claims. The Company submitted a Notice of Appeal on June 7, 2011. An Appeal Brief is due on August 18, 2011. The Company routinely monitors the grant of further Bavarian Nordic European patents to determine whether any additional oppositions should be filed.

Class-action litigation related to Trubion Pharmaceuticals acquisition. On August 17, 2010, two class action lawsuits were filed in the Superior Court of Washington, King County (the "State Court"), against Trubion Pharmaceuticals, Inc. ("Trubion"), its board of directors, and the Company (collectively, the "Defendants"), alleging in summary that, in connection with the proposed merger of Trubion with a subsidiary of the Company (the "Acquisition"), the members of the Trubion board of directors breached their fiduciary duties by conducting an unfair sale process and agreeing to an unfair price. Both complaints also claim that Trubion and the Company aided and abetted the Trubion board of directors in its breach of fiduciary duties. On September 9, 2010, the actions were consolidated (the "State Action"). On October 1, 2010, the plaintiffs in the State Action served on the Defendants a consolidated amended class action complaint (the "Amended Complaint"). The Amended Complaint alleges, among other things and in addition to the matters alleged in the initial complaints, that the Defendants omitted material information from the Proxy Statement/Prospectus.

On October 4, 2010, a class action lawsuit was filed in the U.S. District Court for the Western District of Washington against the Defendants (the "Federal Action" and, collectively with the State Action, the "Actions"), which made allegations related to the Acquisition that are substantially similar to those matters alleged in the Amended Complaint and includes additional allegations regarding purported violations of the federal securities laws and sought substantially similar relief.

On October 8, 2010, the Defendants reached agreement in principle with the plaintiffs in the Actions regarding the settlement of the Actions. The terms of the settlement contemplated by that agreement in principle require that Trubion and the Company make certain additional disclosures related to the Acquisition, as set forth in the Company's Current Report on Form 8-K filed on October 8, 2010. The parties also agreed that the plaintiffs in the Actions may seek attorneys' fees and costs in an aggregate amount up to $475,000, to be paid by Trubion if such fees and costs are approved by the State Court. There will be no other payment by Trubion, any of the members of the Trubion board of directors or the Company to the plaintiffs or their respective counsels in connection with the settlement and dismissal of the Actions. The agreement in principle further contemplates that the parties will enter into a stipulation of settlement, which will be subject to customary conditions, including State Court approval following notice to Trubion's shareholders. The Actions were stayed pending approval of the settlement of the State Action by the State Court, after which the State Action and all claims asserted therein will be dismissed with prejudice and counsel for the plaintiff in the Federal Action will take all necessary steps to dismiss the Federal Action and all claims asserted therein with prejudice. On April 26, 2011, the State Court entered an order granting preliminary approval of the settlement and requiring that notice of the settlement and preliminary approval be mailed to class members by May 17, 2011. The order also provided that all class members wishing to be excluded from the settlement of the Actions give notice by June 21, 2011. At the subsequent scheduled hearing on July 29, 2011, the State Court determined that the settlement was fair, reasonable and adequate to the class members, approved the settlement in all respects and entered a Final Judgement and Order of Dismissal and Prejudice.

Other. From time to time, the Company is involved in product liability claims and other litigation considered normal in the nature of its business. The Company does not believe that any such proceedings would have a material adverse effect on the results of its operations.

7. Segment information

For financial reporting purposes, the Company reports financial information for two business segments: biodefense and biosciences. In the biodefense segment, the Company develops, manufactures and commercializes vaccines and antibody therapies for use against biological agents that are potential weapons of bioterrorism or biowarfare. Revenues in this segment relate primarily to the Company's FDA-licensed product, BioThrax® (Anthrax Vaccine Absorbed). In the biosciences segment, the Company develops vaccines, antibody therapies and technology platforms for use against infectious diseases, oncology, autoimmune and inflammatory disorders and other medical conditions that have resulted in significant unmet or underserved public health needs. The "All Other" segment relates to the general operating costs of the Company and includes costs of the centralized services departments, which are not allocated to the other segments, as well as spending on product candidates or activities that are not classified as biodefense or biosciences. The assets in this segment consist primarily of cash. For the three and six months ended June 30, 2010, the Company reclassified its business segments to conform with the current period presentation.

	Reportable Segments			
(in thousands)	**Biodefense**	**Biosciences**	**All Other**	**Total**
Three Months Ended June 30, 2011				
External revenue	$ 83,685	$ 4,456	$ -	$ 88,141
Net income (loss) attributable to Emergent BioSolutions Inc.	36,902	(20,580)	(2,112)	14,210
Assets	217,057	121,209	155,718	493,984
Three Months Ended June 30, 2010				
External revenue	$ 62,138	$ -	$ -	$ 62,138
Net income (loss) attributable to Emergent BioSolutions Inc.	22,524	(10,958)	(1,758)	9,808
Assets	208,004	42,102	95,642	345,748

	Reportable Segments			
(in thousands)	**Biodefense**	**Biosciences**	**All Other**	**Total**
Six Months Ended June 30, 2011				
External revenue	$ 99,185	$ 7,489	$ -	$ 106,674
Net income (loss) attributable to Emergent BioSolutions Inc.	30,810	(35,705)	(2,292)	(7,187)
Assets	217,057	121,209	155,718	493,984
Six Months Ended June 30, 2010				
External revenue	$ 108,938	$ -	$ -	$ 108,938
Net income (loss) attributable to Emergent BioSolutions Inc.	35,909	(20,564)	(3,014)	12,331
Assets	208,004	42,102	95,642	345,748

8. Related party transactions

The Company entered into an agreement in February 2009 with an entity controlled by family members of the Company's Chief Executive Officer to market and sell BioThrax. The agreement was effective as of November 2008 and requires payment based on a percentage of net sales of biodefense products of 17.5% in Saudi Arabia and 15% in Qatar and United Arab Emirates, and reimbursement of certain expenses. No payments under this agreement have been triggered during the six months ended June 30, 2011.

The Company entered into a severance agreement in April 2010 with the Company's former Senior Vice President, Legal Affairs and General Counsel, whose employment with the Company terminated in March 2010. Severance payments and other benefits under the agreement are substantially identical to those provided under

the provisions of the Company's Severance Plan and Termination Protection Program. One-half of the amounts payable under the severance agreement was paid in September 2010, with the remaining amounts paid in six equal monthly installments concluding in March 2011.

The Company entered into a consulting agreement in September 2010 with an entity controlled by the Company's former Senior Vice President Corporate Affairs, who is also a family member of the Company's Chief Executive Officer. The agreement provides for consulting services in connection with special projects as assigned by the Company's President. During the six months ended June 30, 2011, the Company paid approximately $30,000 for services rendered under this agreement, of which $10,000 remained in accounts payable at June 30, 2011.

The Company has entered into a consulting agreement with a member of the Company's Board of Directors. For each of the six month periods ended June 30, 2011 and 2010, the Company paid approximately $90,000 under this agreement for strategic consultation and project support for the Company's marketing and communications group, of which no balance remained unpaid in accounts payable at June 30, 2011.

9. Variable interest entities

In July 2008, the Company entered into a collaboration with the University of Oxford ("Oxford") and certain University of Oxford researchers to conduct clinical trials in the advancement of a vaccine product candidate for tuberculosis, resulting in the formation of the Oxford-Emergent Tuberculosis Consortium ("OETC"). The Company has a 51% equity interest in OETC and controls the OETC Board of Directors. In addition, the Company has certain funding and service obligations related to its investment. The Company has evaluated its variable interests in OETC and has determined that it is the primary beneficiary as it has the ability to direct the activities of OETC and will absorb the majority of expected losses. Accordingly, the Company consolidates the entity. As of June 30, 2011 and 2010, respectively, assets of $394,000 and $355,000 and liabilities of $910,000 and $337,000 related to OETC are included within the Company's consolidated balance sheet. During the three and six months ended June 30, 2011, OETC incurred net losses of $3.2 million and $6.8 million, respectively, of which $1.6 million and $3.4 million, respectively, is included in the Company's consolidated statement of operations. During the three and six months ended June 30, 2010, OETC incurred net losses of $763,000 and $2.0 million, respectively, of which $389,000 and $1.0 million, respectively, is included in the Company's consolidated statement of operations.

In conjunction with the establishment of OETC, the Company granted a put option to Oxford and the Oxford researchers whereby the Company may be required to acquire all of the OETC shares held by Oxford and the Oxford researchers at fair market value of the underlying shares. This put option is contingent upon the satisfaction of a number of conditions that must exist or occur subsequent to the granting by the European Commission of marketing authorization for the OETC-sponsored vaccine product candidate for tuberculosis. The Company accounts for the put option in accordance with the accounting provisions related to derivatives and distinguishing liabilities from equity. In accordance with these provisions, the Company has determined that the put option has a de minimis fair value as of June 30, 2011.

In July 2010, the Company entered into a collaboration with Temasek Life Sciences Ventures Pte Limited to advance the development of monoclonal products for worldwide prophylaxis or treatment of infection caused by existing or anticipated future pandemic influenza strains via a hemagglutinin-based medical countermeasure, resulting in the formation of EPIC Bio Pte Limited ("EPIC"). The Company has a 60% equity interest in EPIC and controls the EPIC Board of Directors. The Company has evaluated its variable interests in EPIC and has determined that it is the primary beneficiary as it has the ability to direct the activities of EPIC and will absorb the majority of expected losses. Accordingly, the Company consolidates the entity. As of June 30, 2011, assets of $1.9 million and liabilities of $741,000 related to EPIC are included within the Company's consolidated balance sheet. During the three and six months ended June 30, 2011, EPIC incurred net losses of $352,000 and $375,000, respectively, of which $211,000 and $225,000, respectively, is included in the Company's consolidated statement of operations.

The following is a summary of the stockholders' equity attributable to the Company and the noncontrolling interests:

(in thousands)	Emergent BioSolutions Inc.	Noncontrolling Interests	Total
Stockholders' equity at December 31, 2010	$ 369,464	$ 4,097	$ 373,561
Non-cash development expenses from variable interest entities	-	3,348	3,348
Net loss	(7,187)	(3,463)	(10,650)
Other	14,971	-	14,971
Stockholders' equity at June 30, 2011	$ 377,248	$ 3,982	$ 381,230

10. Restructuring

In November 2010, the Company adopted a plan to restructure and reprioritize the operations of Emergent Product Development UK Limited ("EPDU"). The Company has made estimates and judgments regarding the amount and timing of this restructuring expense and liability, including current and future period termination benefits and other exit costs to be incurred when related actions take place. The Company has also assessed the recoverability of certain long-lived assets employed in the business and in certain instances shortened the expected useful life of the assets based on changes in their expected use. When the Company determines that the useful lives of assets are shorter than it had originally estimated, the Company records additional depreciation to reflect the assets' new shorter useful lives. Severance and other related costs and asset-related charges are reflected within the Company's consolidated statement of income as a component of selling, general and administrative expense within the Company's biosciences segment. Actual results may differ from these estimates.

The Company has substantially completed this restructuring in the first half of 2011. The costs of the restructuring are detailed below:

(in thousands)	Incurred in 2011	Inception to Date Costs Incurred	Total Expected to be Incurred
Termination benefits	$ 438	$ 2,856	$ 2,900
Contract termination costs	2,153	2,803	2,550
Other costs	90	350	350
Total	$ 2,681	$ 6,009	$ 5,800

In July 2011, the Company received a refund of previously paid contract termination costs. This refund lowered our total expected cost to be incurred.

The following is a summary of the activity for the liabilities related to the EPDU restructuring:

(in thousands)	Termination Benefits	Lease Termination Costs	Total
Balance at December 31, 2010	$ 2,418	$ 650	$ 3,068
Expenses incurred	438	2,153	2,591
Amount paid	(2,714)	(2,571)	(5,285)
Balance at June 30, 2011	$ 142	$ 232	$ 374

11. Assets held for sale

The Company currently owns two buildings in Frederick, Maryland that it determined in 2009 would not be placed into service. Accordingly, the Company committed to a plan to sell the buildings, along with associated improvements. These buildings are classified on the Company's balance sheets as assets held for sale. Assets held for sale are recorded at the lower of the carrying amount or fair market value less costs to sell, and are no longer depreciated once classified as held for sale. The Company recorded the assets held for sale at fair market value, based on factors that include recent purchase offers less estimated selling costs. The Company recorded an impairment charge of $193,000 for each of the three and six months ended June 30, 2011. The Company recorded impairment charges of $448,000 and $1.0 million, respectively, for the three and six months ended June 30, 2010. This charge was classified in the Company's statement of operations as selling, general and administrative expense within the Company's biosciences segment. The Company continues to actively seek to sell these buildings.

12. Asset Purchase Agreement

In May 2011, the Company and TenX BioPharma, Inc. ("TenX") entered into an asset purchase agreement in which the Company acquired all assets and rights related to the Zanolimumab product candidate and related technology from TenX. The Company paid approximately $3.1 million in conjunction with the closing of this acquisition, and has recorded this amount in the Company's statement of operations as research and development expense in the Company's biosciences segment. The asset purchase agreement also contemplates additional milestone payments and specified percentages of future net sales.

13. Subsequent events

On July 29, 2011, the Company entered into a loan agreement and related agreements with PNC Bank ("PNC"), under which PNC provided the Company with a construction loan of up to $30.0 million primarily to fund the ongoing build-out of the Company's Baltimore facility. A portion of the loan was also used to repay the Company's original loan with HSBC Bank ("HSBC") to finance a portion of the purchase price of the facility. Under the loan agreement, PNC will make advances to the Company of up to $30.0 million through July 2012 based on periodic requests from the Company. The Company has drawn $17.8 million on the loan to date, of which $6.2 million was used to repay the HSBC loan.

On August 3, 2011, the Company entered into a separate loan agreement with PNC to provide the Company with an equipment loan of $12.0 million to fund equipment purchases at the Baltimore facility. Under the equipment loan agreement, PNC will make advances to the Company of up to $12.0 million through August 2012 based on periodic requests from the Company. To date, the Company has not requested any advances under this loan agreement.

The Company has evaluated subsequent events through the time of filing these financial statements.

ITEM 2. MANAGMENT'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 financial statements and the related notes and other financial information included elsewhere in this quarterly report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this quarterly report on Form 10-Q, including information with respect to our plans and strategy for our business, include forward-looking statements that involve risks and uncertainties. You should review the "Special Note Regarding Forward-Looking Statements" and the "Risk Factors" sections of this quarterly report 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.

Overview

Product Portfolio

We are a biopharmaceutical company focused on protecting and enhancing life by developing and manufacturing vaccines and antibody therapeutics that are supplied to healthcare providers and purchasers for use in preventing and treating disease. For financial reporting purposes, we operate in two business segments, biodefense and biosciences.

Our biodefense segment focuses on vaccines and antibody therapies for use against biological agents that are potential weapons of bioterrorism or biowarfare. Our products and product candidates in this segment are focused on anthrax. We manufacture and market BioThrax® (Anthrax Vaccine Adsorbed), the only vaccine licensed by the U.S. Food and Drug Administration, or FDA, for the prevention of anthrax infection. In addition to BioThrax, we are developing PreviThrax™ (Recombinant Protective Antigen Anthrax Vaccine, Purified), Anthrivig ™ (Human Anthrax Immunoglobulin), Thravixa ™ (Fully Human Anthrax Monoclonal Antibody) and NuThrax ™ (Anthrax Vaccine Absorbed with CPG 7909 Adjuvant). Operations in this segment include biologics manufacturing, regulatory and quality affairs, marketing and sales in support of BioThrax and product development of our investigational product candidates.

Our biosciences segment is directed to commercial opportunities. Our programs in this segment target oncology, including B-cell malignancies of chronic lymphocytic leukemia, or CLL, and non-Hodgkin's lymphoma, or NHL; autoimmune and inflammatory disorders, or AIID, including rheumatoid arthritis, or RA, and systemic lupus erythematosus, or SLE; as well as other infectious diseases such as tuberculosis and influenza. Additionally, through our recent acquisition of certain assets of TenX BioPharma, Inc., or TenX, we acquired a clinical stage product candidate targeted at cutaneous T-cell lymphoma, or CTCL, and peripheral T-cell lymphoma, or PTCL. Our programs in this segment include clinical and preclinical stage investigational product candidates. Operations in this segment include product development in support of our investigational product candidates, and manufacturing and related infrastructure initiatives in support of our technology platforms.

Our biodefense segment has generated net income for each of the last five fiscal years. Over this timeframe, our biosciences segment has generated revenue through development contracts and grant funding, but none of our biosciences product candidates have received marketing approval and, therefore, our biosciences segment has not generated any product sales revenues. As a result, our biosciences segment has incurred a net loss for each of the last five fiscal years.

Product Sales

We have derived substantially all of our product sales revenues from BioThrax sales to the U.S. government. We are currently a party to a contract with the U.S. Department of Health and Human Services, or HHS, to supply doses of BioThrax for placement into the Strategic National Stockpile, or SNS. We expect for the foreseeable future to continue to derive substantially all of our product sales revenues from our sales of BioThrax to the U.S. government. Our total revenues from BioThrax sales were $77.1 million and $94.7 million, respectively, for the six months ended June 30, 2011 and 2010. We are focused on increasing sales of BioThrax to U.S. government customers, expanding the market for BioThrax to other customers domestically and internationally and pursuing label expansions and improvements for BioThrax.

Contracts and Grants

We seek to advance development of our product candidates through external funding arrangements. We may slow down development programs or place them on hold during periods that are not covered by external funding. We have received funding for the following development programs:

- § BioThrax post-exposure prophylaxis;

- § NuThrax;
- § Large-scale manufacturing for BioThrax;
- § PreviThrax;
- § Anthrivig;
- § Thravixa;
- § Double mutant recombinant protective antigen anthrax vaccine; and
- § Recombinant botulinum vaccine.

Additionally, our tuberculosis vaccine product candidate is indirectly supported by grant funding provided to the University of Oxford by the Wellcome Trust and Aeras Global Tuberculosis Vaccine Foundation. Our TRU-016 product candidate is being funded via our collaboration with Abbott Laboratories, or Abbott, in which we and Abbott share all funding responsibilities equally. Our SBI-087 product candidate is substantially funded by Pfizer Inc., or Pfizer.

We continue to actively pursue additional government sponsored development contracts and grants and to encourage both governmental and non-governmental agencies and philanthropic organizations to provide development funding or to conduct clinical studies of our product candidates.

Manufacturing Infrastructure

We conduct our primary vaccine manufacturing operations at a multi-building campus on approximately 12.5 acres in Lansing, Michigan. To augment our existing manufacturing capabilities, we have constructed Building 55, a 50,000 square foot large-scale manufacturing facility on our Lansing campus. In July 2010, we entered into an agreement with the Biomedical Advanced Research and Development Authority, or BARDA, to finalize development of and obtain regulatory approval for large-scale manufacturing of BioThrax in Building 55. This agreement provides for funding from BARDA of up to approximately $107 million over a five-year contract term, including a two-year base period of performance valued at approximately $55 million.

In November 2009, we purchased a building in Baltimore, Maryland for product development and manufacturing purposes, and have begun renovation, improvement and equipment acquisitions at this facility. During the third quarter of 2011, we entered into two loan agreements with PNC Bank totaling up to $42.0 million to fund these renovations, improvements and equipment acquisitions. Our specific plans for this facility will be contingent on the progress of our existing development programs and the outcome of our efforts to acquire new product candidates.

Critical Accounting Policies and Estimates

There have been no significant changes to our Critical Accounting Policies and Estimates during the six months ended June 30, 2011. Refer to the Critical Accounting Policies and Estimates section in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission.

Financial Operations Overview

Revenues

On September 30, 2008, we entered into an agreement with HHS to supply up to 14.5 million doses of BioThrax for placement into the SNS. This agreement was amended in July 2010 to, among other things, allow us to accelerate the delivery of BioThrax doses into the SNS by approximately three months. In April 2011, we entered into a modification to this contract to supply an additional 3.4 million doses at a value of up to $101 million. The term of the modified agreement is from September 30, 2008 through September 30, 2011. The total purchase price of the modified contract for 17.9 million doses is approximately $500 million. Through June 30, 2011, we have delivered approximately 14.3 million doses under this agreement. We have agreed to provide all shipping services related to delivery of doses into the SNS over the term of the agreement, for which HHS has agreed to pay us approximately $2.3 million. We recognize revenue under the agreement upon acceptance of each delivery of BioThrax doses to the SNS.

We have received contract and grant funding from the National Institute of Allergy and Infectious Diseases, or NIAID, and BARDA for the following development programs:

Product Candidate/Manufacturing	Funding Source	Award Date	Amount (Up to)	Performance Period
Anthrivig	NIAID	9/2007	$9.5 million	9/2007 — 12/2011
Recombinant botulinum vaccine	NIAID	6/2008	$1.8 million	6/2008 — 5/2012
NuThrax	NIAID	7/2008	$2.8 million	7/2008 — 6/2013
Thravixa	NIAID/BARDA	9/2008	$24.3 million	9/2008 — 8/2012
NuThrax	NIAID/BARDA	9/2008	$24.4 million	9/2008 — 7/2012
Double mutant recombinant protective antigen anthrax vaccine	NIAID	9/2009	$4.9 million	9/2009 — 8/2012
Large-scale manufacturing for BioThrax	BARDA	7/2010	$107.0 million	7/2010 — 7/2015
NuThrax	NIAID	7/2010	$28.7 million	8/2010 — 8/2014
PreviThrax	BARDA	9/2010	$186.6 million	9/2010 — 9/2015

Our revenue, operating results and profitability have varied, and we expect that they will continue to vary on a quarterly basis, primarily due to the timing of our fulfilling orders for BioThrax and work done under new and existing contracts and grants.

Cost of Product Sales

The primary expense that we incur to deliver BioThrax to our customers is manufacturing cost, which consist of primarily fixed costs. These fixed manufacturing costs consist of facilities, utilities and personnel-related expenses for indirect manufacturing support staff. Variable manufacturing costs for BioThrax consist primarily of costs for materials, direct labor and contract filling operations.

We determine the cost of product sales for doses sold during a reporting period based on the average manufacturing cost per dose in the period those doses were manufactured. We calculate the average manufacturing cost per dose in the period of manufacture by dividing the actual costs of manufacturing in such period by the number of units produced in that period. In addition to the fixed and variable manufacturing costs described above, the average manufacturing cost per dose depends on the efficiency of the manufacturing process, utilization of available manufacturing capacity and the production yield for the period of production.

Research and Development Expenses

We expense research and development costs as incurred. Our research and development expenses consist primarily of:

- § personnel-related expenses;
- § fees to professional service providers for, among other things, preclinical and analytical testing, independently monitoring our clinical trials and acquiring and evaluating data from our clinical trials and non-clinical studies;

- § costs of contract manufacturing services for clinical trial material;
- § costs of materials used in clinical trials and research and development;
- § depreciation of capital assets used to develop our products; and
- § operating costs, such as the operating costs of facilities and the legal costs of pursuing patent protection of our intellectual property.

We believe that significant investment in product development is a competitive necessity and plan to continue these investments in order to be in a position to realize the potential of our product candidates. We expect that spending for our product pipeline will increase as our product development activities continue based on ongoing advancement of our product candidates, and as we prepare for regulatory submissions and other regulatory activities. We expect that the magnitude of any increase in our research and development spending will be dependent upon such factors as the results from our ongoing preclinical studies and clinical trials, continued participation of our third-party collaborators, the size, structure and duration of any follow-on clinical programs that we may initiate, costs associated with manufacturing our product candidates on a large-scale basis for later-stage clinical trials, and our ability to use or rely on data generated by government agencies, such as studies with BioThrax conducted by the Centers for Disease Control and Prevention, or CDC.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of salaries and other related costs for personnel serving the executive, sales and marketing, business development, finance, accounting, information technology, legal and human resource functions. Other costs include facility costs not otherwise included in cost of product sales or research and development expense and professional fees for legal and accounting services. We currently market and sell BioThrax directly to the U.S. government with a small, targeted marketing and sales group. As we seek to broaden the market for BioThrax and if we receive marketing approval for additional products, we expect that we will increase our spending for marketing and sales activities.

Results of Operations

Quarter Ended June 30, 2011 Compared to Quarter Ended June 30, 2010

Revenues

Product sales revenues increased by $15.6 million, or 28%, to $71.5 million for the three months ended June 30, 2011 from $55.9 million for the three months ended June 30, 2010. This increase in product sales revenues was primarily due to a 25% increase in the number of doses of BioThrax delivered. Product sales revenues for the three months ended June 30, 2011 consisted of BioThrax sales to HHS of $70.7 million and aggregate international and other sales of $738,000. Product sales revenues for the three months ended June 30, 2010 consisted of BioThrax sales to HHS of $53.5 million and aggregate international and other sales of $2.3 million.

Contracts and grants revenues increased by $10.4 million, or 166%, to $16.7 million for the three months ended June 30, 2011 from $6.3 million for the three months ended June 30, 2010. The increase in contracts and grants revenue was primarily due to revenues from our contract from BARDA for large-scale manufacturing for BioThrax and our collaborations with Abbott and Pfizer, along with increased activity and associated revenue from our development contracts with NIAID and BARDA for NuThrax and PreviThrax. Contracts and grants revenues for the three months ended June 30, 2011 consisted of $12.1 million in development contract and grant revenue from NIAID and BARDA and $4.5 million from Abbott and Pfizer. All contracts and grants revenues for the three months ended June 30, 2010 were from NIAID and BARDA.

Cost of Product Sales

Cost of product sales increased by $5.0 million, or 45%, to $16.1 million for the three months ended June 30, 2011 from $11.1 million for the three months ended June 30, 2010. This increase was primarily attributable to the 25% increase in the number of BioThrax doses sold coupled with an increase in the cost per dose sold associated with decreased production yield in the period in which the doses were produced.

Research and Development Expense

Research and development expenses increased by $12.9 million, or 69%, to $31.5 million for the three months ended June 30, 2011 from $18.6 million for the three months ended June 30, 2010. This increase primarily reflects higher contract service and personnel-related costs, and includes increased expenses of $12.4 million for product candidates and technology platform development activities that are categorized in the biosciences segment, increased expenses of $170,000 for product candidates that are categorized in the biodefense segment, and increased expenses of $330,000 in other research and development, which are in support of central research and development activities. For the three months ended June 30, 2011 and 2010, we incurred research and development expenses net of development contract and grant revenues along with the net loss attributable to noncontrolling interests of $13.1 million and $12.0 million, respectively.

The spending on biodefense product candidates, detailed in the table below, was primarily attributable to the timing of development efforts on various programs as we completed various studies and prepared for subsequent studies and trials. The increase in spending for NuThrax was due to assay development and the conduct of clinical trial activities. The increase in spending for our large-scale manufacturing for BioThrax program was primarily due to characterization assay development and manufacturing that increased subsequent to the associated development contract award in July 2010. The increase in spending for BioThrax related programs was related to clinical and non-clinical studies to support applications for marketing approval of these programs. The increase in spending for PreviThrax was primarily due to formulation stability studies and process development subsequent to the associated development contract awarded in September 2010. The decrease in spending for Anthrivig was primarily due to the timing of clinical studies and animal model development. The decrease in spending for Thravixa was primarily due to the timing of manufacturing and pilot studies. The decrease in spending for our other biodefense activities was primarily due to decreased spending associated with our double mutant recombinant protective antigen anthrax vaccine due primarily to reduced funding by the U.S. government for this product candidate. As such, we expect that spending for our double mutant recombinant protective antigen anthrax vaccine will decrease in the future.

The increase in spending on biosciences product candidates, detailed in the table below, was primarily attributable to the timing of development efforts and the acquisition of certain biosciences product candidates. The increase in spending for our tuberculosis vaccine product candidate is related to the costs incurred for the continued conduct of a Phase IIb clinical trial along with process development and manufacturing activities. The increase in spending for our TRU-016, DRACO and XI product candidates, acquired as a result of our October 2010 acquisition of Trubion and its development programs for product candidates to treat certain autoimmune diseases and oncology, is primarily related to clinical studies and manufacturing costs. The spending for our Zanolimumab product candidate was for upfront and milestone payments related to the May 2011 acquisition of certain assets of TenX. The spending for our influenza vaccine product candidate is related to process and analytical development. The decrease in spending for Typhella was primarily due to the substantial completion of manufacturing and clinical studies. We have significantly reduced ongoing spending with regard to Typhella while we investigate options to sell or outlicense the related technology, and expect that future spending will be reduced. The increase in spending for our other biosciences activities was primarily due to increased spending associated with development of platform technologies along with preclinical product candidates as a result of our acquisition of Trubion.

The spending for other research and development activities was primarily attributable to central research and development activities.

Our principal research and development expenses for the three months ended June 30, 2011 and 2010 are shown in the following table:

Three Months Ended

(in thousands)	June 30, 2011	2010
Biodefense:		
NuThrax	$ 3,083	$ 2,352
Large-scale manufacturing for BioThrax	2,855	1,880
BioThrax related programs	1,626	1,249
PreviThrax	3,042	600
Anthrivig	386	2,294
Thravixa	947	2,339
Other biodefense	546	1,601
Total biodefense	12,485	12,315
Biosciences:		
Tuberculosis vaccine	3,932	2,068
TRU-016	3,450	-
DRACO	1,985	-
X1	915	-
Zanolimumab	3,149	-
Influenza vaccine	692	826
Typhella	262	639
Other biosciences	3,255	1,728
Total biosciences	17,640	5,261
Other	1,356	1,026
Total	$ 31,481	$ 18,602

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $2.7 million, or 15%, to $20.4 million for the three months ended June 30, 2011 from $17.6 million for the three months ended June 30, 2010. This increase is primarily due to approximately $2.2 million in restructuring charges related to our UK operations. The majority of the expense is attributable to the biodefense segment, in which selling, general and administrative expenses increased by $479,000, or 4%, to $13.1 million for the three months ended June 30, 2011 from $12.6 million for the three months ended June 30, 2010. Selling, general and administrative expenses related to our biosciences segment increased by $2.3 million, or 45%, to $7.3 million for the three months ended June 30, 2011 from $5.0 million for the three months ended June 30, 2010, reflecting the charge for the UK restructuring.

Total Other Income (Expense)

Total other income (expense) decreased by $401,000, or 106%, to net other expense of $21,000 for the three months ended June 30, 2011 from net other income of $380,000 for the three months ended June 30, 2010. The decrease was due primarily to 2010 interest income related to the note receivable from Protein Sciences Corporation, which was settled in October 2010.

Income Taxes

Provision for income taxes increased by $1.9 million, or 33%, to $7.7 million for the three months ended June 30, 2011 from $5.8 million for the three months ended June 30, 2010. The estimated effective tax rate for the three months ended June 30, 2011 and 2010 was 35% and 37%, respectively. The increase in the provision for income taxes was primarily due to the increase in our income before provision for income taxes plus the loss attributable to noncontrolling interest of $6.3 million.

Net Loss Attributable to Noncontrolling Interests

Net loss attributable to noncontrolling interests increased by $1.3 million to $1.7 million for the three months ended June 30, 2011 from $374,000 for the three months ended June 30, 2010. The loss was primarily a result of clinical and development activities and related expenses incurred by our joint venture with the University of Oxford. These amounts primarily represent the portion of the loss incurred by the joint venture for the three months ended June 30, 2011 and 2010, respectively, that is attributable to the University of Oxford.

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

Revenues

Product sales revenues decreased by $17.7 million, or 19%, to $77.1 million for the six months ended June 30, 2010 from $94.7 million for the six months ended June 30, 2010. This decrease in product sales revenues was primarily due to a 22% decrease in the number of doses of BioThrax delivered due to the redeployment of our potency testing capacity from BioThrax release testing to qualification of replacement reference standards and other development testing during the first quarter 2011. Product sales revenues for the six months ended June 30, 2011 consisted of BioThrax sales to HHS of $75.8 million and aggregate international and other sales of $1.3 million. Product sales revenues for the six months ended June 30, 2010 consisted of BioThrax sales to HHS of $92.4 million and aggregate international and other sales of $2.4 million.

Contracts and grants revenues increased by $15.4 million, or 108%, to $29.6 million for the six months ended June 30, 2011 from $14.2 million for the six months ended June 30, 2010. The increase in contracts and grants was primarily due to revenues from our contract with BARDA for large-scale manufacturing for BioThrax and our collaborations with Abbott and Pfizer, along with increased activity and associated revenue from our development contracts with NIAID and BARDA for NuThrax and PreviThrax. Contracts and grants revenues for the six months ended June 30, 2011 consisted of $22.0 million in development contract and grant revenue from NIAID and BARDA and $7.5 million from Abbott and Pfizer. Contracts and grants revenues for the six months ended June 30, 2010 consisted of $13.5 million in development contract and grant revenue from NIAID and BARDA and $750,000 from a milestone payment related to the 2008 sale of technology rights and related materials and documentation pertaining to our Pertussis technology.

Cost of Product Sales

Cost of product sales decreased by $1.4 million, or 8%, to $17.1 million for the six months ended June 30, 2011 from $18.6 million for the six months ended June 30, 2010. This decrease was attributable to a 22% decrease in the number of doses of BioThrax delivered partially offset by an increase in the cost per dose sold associated with decreased production yield in the period in which the doses were produced.

Research and Development Expense

Research and development expenses increased by $27.7 million, or 72%, to $66.2 million for the six months ended June 30, 2011 from $38.5 million for the six months ended June 30, 2010. This increase primarily reflects higher contract service and personnel-related costs, and includes increased expenses of $26.0 million for product candidates and technology platform development activities that are categorized in the biosciences segment, increased expenses of $1.1 million for product candidates categorized in the biodefense segment, and increased expenses of $664,000 in other research and development, which are in support of central research and development activities. For the six months ended June 30, 2011 and 2010, we incurred research and development expenses net of development contract and grant revenues along with the net loss attributable to noncontrolling interests of $33.2 million and $23.3 million, respectively.

The increase in spending on biodefense product candidates, detailed in the table below, was primarily attributable to the timing of development efforts on various programs as we completed various studies and prepared for subsequent studies and trials. The increase in spending for NuThrax was due to manufacturing, assay development and the conduct of clinical trial activities. The increase in spending for our large-scale manufacturing for BioThrax program was primarily due to characterization assay development and manufacturing that increased subsequent to the associated development contract award in July 2010. The increase in spending for BioThrax related programs was related to clinical and non-clinical studies to support applications for marketing approval of these programs. The increase in spending for PreviThrax was primarily due to formulation stability studies and potency assay qualification subsequent to the associated development contract awarded in September 2010. The decrease in spending for Anthrivig was primarily due to the timing of clinical studies and animal model development. The decrease in spending for Thravixa was primarily due to the timing of manufacturing and pilot studies. The decrease in spending for our other biodefense activities was primarily due to decreased spending associated with our double mutant recombinant protective antigen anthrax vaccine due primarily to reduced funding by the U.S. government for this product candidate. As such, we expect that spending for our double mutant recombinant protective antigen anthrax vaccine will decrease in the future.

The increase in spending on biosciences product candidates, detailed in the table below, was primarily attributable to the timing of development efforts and the acquisition of certain biosciences product candidates. The increase in spending for our tuberculosis vaccine product candidate is related to the costs incurred for the continued conduct of a Phase IIb clinical trial along with process development and manufacturing activities. The increase in spending for our TRU-016, DRACO and XI product candidates, which is a result of our October 2010 acquisition of Trubion and its development programs for product candidates to treat certain autoimmune diseases and oncology, is primarily related to clinical studies and manufacturing costs. The spending for our Zanolimumab product candidate was for upfront and milestone payments related to the May 2011 acquisition of certain assets of TenX. The spending for our influenza vaccine product candidate is related to process and analytical development. The decrease in spending for Typhella was primarily due to the substantial completion of manufacturing and clinical studies. We have significantly reduced ongoing spending with regard to Typhella while we investigate options to sell or outlicense the related technology, and expect that future spending will be reduced. The increase in spending for our other biosciences activities was primarily due to increased spending associated with development of platform technologies along with preclinical product candidates as a result of our acquisition of Trubion.

Our principal research and development expenses for the six months ended June 30, 2011 and 2010 are shown in the following table:

	Six Months Ended June 30,	
(in thousands)	**2011**	**2010**
Biodefense:		
NuThrax	$ 6,722	$ 4,552
Large-scale manufacturing for BioThrax	6,100	3,414
BioThrax related programs	3,769	3,353
PreviThrax	5,924	1,450
Anthrivig	1,005	3,890
Thravixa	2,225	5,823
Other biodefense	1,487	3,684
Total biodefense	27,232	26,166
Biosciences:		
Tuberculosis vaccine	9,836	4,322
TRU-016	8,475	-
DRACO	3,946	-
X1	1,822	-
Zanolimumab	3,149	-
Influenza vaccine	1,462	1,589
Typhella	1,102	1,237
Other biosciences	6,602	3,260
Total biosciences	36,394	10,408
Other	2,614	1,950
Total	$ 66,240	$ 38,524

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $4.8 million, or 14%, to $38.6 million for the six months ended June 30, 2011 from $33.8 million for the six months ended June 30, 2010. This increase is primarily due to approximately $2.2 million in restructuring charges related to our UK operations and increased personnel and professional services to support growth of the business. The majority of the expense is attributable to the biodefense segment, in which selling, general and administrative expenses increased by $2.3 million, or 9%, to $27.2 million for the six months ended June 30, 2011 from $24.8 million for the six months ended June 30, 2010. Selling, general and administrative expenses related to our biosciences segment, increased by $2.4 million, or 27%, to $11.4 million for the six months ended June 30, 2011 from $9.0 million for the six months ended June 30, 2010, reflecting the charge for the UK restructuring.

Total Other Income (Expense)

Total other income decreased by $742,000, or 98%, to $13,000 for the six months ended June 30, 2011 from $755,000 for the six months ended June 30, 2010. The decrease was due primarily to 2010 interest income related to the note receivable from Protein Sciences Corporation, which was settled in October 2010.

Income Taxes

Provision for (benefit from) income taxes decreased by $12.0 million, or 163%, to a benefit from income taxes of $4.6 million for the six months ended June 30, 2011 from a provision for income taxes of $7.4 million for the six months ended June 30, 2010. The estimated annual effective tax rate for the six months ended June 30, 2011 and 2010 was 39% and 37%, respectively. The decrease in income taxes is primarily due to a $31.5 million decrease in our income before provision for income taxes and the loss attributable to noncontrolling interests.

Net Loss Attributable to Noncontrolling Interest

Net loss attributable to noncontrolling interest increased by $2.5 million to $3.5 for the six months ended June 30, 2011 from $979,000 for the six months ended June 30, 2010. The increase resulted from the timing of clinical and development activities and related expenses incurred by our joint venture with the University of Oxford.

These amounts represent the portion of the loss incurred by the joint venture for the six months ended June 30, 2011 and 2010, respectively, that is attributable to the University of Oxford.

Liquidity and Capital Resources

Sources of Liquidity

We have funded our cash requirements from inception through June 30, 2011 principally with a combination of revenues from BioThrax product sales, debt financings and facilities and equipment leases, development funding from government entities and non-government and philanthropic organizations, the net proceeds from our initial public offering and from the sale of our common stock upon exercise of stock options. We have operated profitably for each of the five years ended December 31, 2010.

As of June 30, 2011, we had cash, cash equivalents and investments of $127.1 million. Additionally, at June 30, 2011 our accounts receivable balance was $47.3 million.

Cash Flows

The following table provides information regarding our cash flows for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30,	
(in thousands)	**2011**	**2010**
Net cash provided by (used in):		
Operating activities(1)	$ (29,469)	$ 21,028
Investing activities	(19,814)	(8,631)
Financing activities	2,358	(13,128)
Total net cash provided by (used in)	$ (46,925)	$ (731)

(1) Includes the effect of exchange rates on cash and cash equivalents.

Net cash used in operating activities of $29.5 million for the six months ended June 30, 2011 was principally due to our net loss attributable to Emergent BioSolutions Inc. of $7.2 million, a $4.5 million increase in inventory related to the timing of BioThrax shipments, a net decrease in income taxes of $5.3 million related to timing differences, a decrease in accrued compensation of $10.2 million primarily due to the payment of the 2010 bonuses, an increase in accounts receivable of $7.9 million due to the timing of collection of amounts billed primarily to HHS, partially offset by non-cash charges of $5.2 million for stock-based compensation, $4.5 million for depreciation and amortization, and $3.3 million for development expenses primarily from our joint venture with the University of Oxford.

Net cash provided by operating activities of $21.0 million for the six months ended June 30, 2010 was due principally to net income attributable to Emergent BioSolutions Inc. of $12.3 million along with non-cash charges of $3.4 million for stock compensation, $2.6 million for depreciation and amortization and $1.0 million related to the impairment of our Frederick facilities.

Net cash used in investing activities for the six months ended June 30, 2011 was $19.8 million, primarily due to capital expenditures of $16.8 million related to the construction and related costs for our facility in Baltimore, Maryland, and infrastructure investments and other equipment, along with the purchase of U.S. Treasury securities of $5.3 million partially offset by proceeds from the maturity of U.S. Treasury securities of $2.3 million.

Net cash used in investing activities for the six months ended June 30, 2010 of $8.6 million resulted principally from the construction and related costs for our manufacturing facility in Lansing, Michigan and infrastructure investments and other equipment.

Net cash provided by financing activities of $2.4 million for the six months ended June 30, 2011 resulted primarily from $8.7 million in proceeds from stock option exercises and $1.8 million related to excess tax benefits from the exercise of stock options, partially offset by $8.1 million in principal payments on indebtedness.

Net cash used in financing activities of $13.1 million for the six months ended June 30, 2010 resulted primarily from $31.6 million in principal payments on indebtedness, including $30.0 million in payments on our revolving line of credit with Fifth Third Bank, partially offset by $15.0 million in proceeds from borrowings under our revolving line of credit with Fifth Third Bank, $2.8 million in proceeds from stock option exercises and $709,000 related to excess tax benefits from the exercise of stock options.

Debt Financing

As of June 30, 2011, we had $39.3 million principal amount of debt outstanding, comprised primarily of the following:

- § $2.5 million outstanding under a loan from the Department of Business and Economic Development of the State of Maryland used to finance eligible costs incurred to purchase our first facility in Frederick, Maryland;
- § $5.4 million outstanding under a mortgage loan from PNC Bank used to finance the remaining portion of the purchase price for our first Frederick facility;
- § $20.5 million outstanding under a term loan from HSBC Realty Credit Corporation used to finance a portion of the costs of our facility expansion in Lansing, Michigan;
- § $6.3 million outstanding under a mortgage loan from HSBC Realty Credit Corporation used to finance a portion of the purchase price of our facility in Baltimore, Maryland, the balance of which was repaid in July 2011; and
- § $4.6 million outstanding under a mortgage loan from HSBC Realty Credit Corporation used to finance a portion of the purchase price of our facility in Gaithersburg, Maryland.

In April 2011, we repaid the remaining $6.5 million due under the mortgage loan from HSBC Realty Credit Corporation that was used to finance a portion of the purchase price for our second facility at the Frederick site.

On June 1, 2011, our revolving line of credit with Fifth Third Bank expired. There were no outstanding principal amounts owed as of teh date of the expiration.

On July 29, 2011, we entered into a loan agreement and related agreements with PNC Bank, or PNC, under which PNC provided us with a construction loan of up to $30.0 million primarily to fund the ongoing build-out of the our Baltimore facility. A portion of the loan was also used to repay the Company’s original loan with HSBC Bank to finance a portion of the purchase price of the facility. Under the loan agreement, PNC will make advances to the Company of up to $30.0 million through July 2012 based on periodic requests from us.

On August 3, 2011, we entered into a separate loan agreement with PNC to provide us with an equipment loan of $12.0 million to fund equipment purchases at the Baltimore facility. Under the equipment loan agreement, PNC will make advances to us of up to $12.0 million through August 2012 based on periodic requests from us.

Funding Requirements

We expect to continue to fund our anticipated operating expenses, capital expenditures and debt service requirements from existing cash and cash equivalents, revenues from BioThrax product sales, collaboration funding, development contract and grant funding, and any lines of credit we may establish from time to time.. There are numerous risks and uncertainties associated with BioThrax product sales and with the development and commercialization of our product candidates. We may seek additional external debt financing to provide additional financial flexibility. Our future capital requirements will depend on many factors, including:

- § the level and timing of BioThrax product sales and cost of product sales;
- § our ability to obtain funding from government entities and non-government and philanthropic organizations for our development programs;
- § the level of participation of collaborative partners in our development programs;
- § the acquisition of new facilities, and capital improvements to new or existing facilities;
- § the timing of, and the costs involved in, completion of qualification and validation activities related to Building 55, our large-scale manufacturing facility in Lansing, Michigan, the build out of our new facility in Baltimore, Maryland, and any other new facilities;
- § the scope, progress, results and costs of our preclinical and clinical development activities;
- § the costs, timing and outcome of regulatory review of our product candidates;
- § the number of, and development requirements for, other product candidates that we may pursue;
- § the costs of commercialization activities, including product marketing, sales and distribution;
- § the market acceptance and sales growth of any of our products and product candidates upon regulatory approval;
- § the extent to which growth generates increased administrative costs;
- § the extent to which we lend money to, and are able to obtain repayment from, third parties;
- § the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other patent-related costs, including litigation costs and the results of such litigation;
- § the extent to which we acquire or invest in companies, businesses, products and technologies;
- § the effect of competing technological and market developments; and
- § the extent to which we become obligated to make cash payments related to the contingent value rights issued to former holders of Trubion common stock in connection with our acquisition of Trubion that are not offset by corresponding cash inflows from our collaborative partners.

We may require additional sources of funds for future acquisitions that we may make or, depending on the size of the obligation, to meet balloon payments upon maturity of our current borrowings. To the extent our capital resources are insufficient to meet our future capital requirements, we will need to finance our cash needs through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. Current economic conditions may make it difficult to obtain financing on attractive terms or at all. Lenders may be able to impose covenants on us that could be difficult to satisfy, which could put us at increased risk of defaulting on debt. If financing is unavailable or lost, we could be forced to delay, reduce the scope of or eliminate our research and development programs or reduce our planned commercialization efforts.

Our ability to borrow amounts under any line of credit we may establish will be subject to our satisfaction of specified conditions. Additional equity or debt financing, grants, or corporate collaboration and licensing arrangements may not be available on acceptable terms, if at all. If we raise additional funds by issuing equity securities, our stockholders may experience dilution. 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. Any debt financing or additional equity that we raise may contain terms, such as liquidation and other preferences that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies or product candidates or grant licenses on terms that may not be favorable to us.

ITEM 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Our exposure to market risk is currently confined to our cash and cash equivalents and restricted cash that have maturities of less than three months, our investments, and our long-term indebtedness. We currently do not hedge interest rate exposure or foreign currency exchange exposure, and the movement of foreign currency exchange rates could have an adverse or positive impact on our results of operations. We have not used derivative financial instruments for speculation or trading purposes. Because of the short-term maturities of our cash and cash equivalents and the small amount of our non-cash investments of $5.0 million as of June 30, 2011, we do not believe that an increase in market rates would have a significant impact on the realized value of our investments, but would likely increase the interest expense associated with our debt.

ITEM 4. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2011. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2011, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, occurred during the quarter ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. ***LEGAL PROCEEDINGS***

Class-action Litigation Related to Trubion Pharmaceuticals Acquisition. On August 17, 2010, two class action lawsuits were filed in the Superior Court of Washington, King County, or State Court, against Trubion Pharmaceuticals, Inc., or Trubion, its board of directors, and us, or collectively, the Defendants, alleging in summary that, in connection with the proposed merger of Trubion with a subsidiary of ours, or the Acquisition, the members of the Trubion board of directors breached their fiduciary duties by conducting an unfair sale process and agreeing to an unfair price. Both complaints also claim that Trubion and us aided and abetted the Trubion board of directors in its breach of fiduciary duties. On September 9, 2010, the actions were consolidated into a single action, or State Action. On October 1, 2010, the plaintiffs in the State Action served on the Defendants a consolidated amended class action complaint, or Amended Complaint. The Amended Complaint alleges, among other things and in addition to the matters alleged in the initial complaints, that the Defendants omitted material information from the Proxy Statement/Prospectus. On October 4, 2010, a class action

lawsuit was filed in the U.S. District Court for the Western District of Washington against the Defendants, or Federal Action and, collectively with the State Action, the Actions, which makes allegations related to the Acquisition that are substantially similar to those matters alleged in the Amended Complaint, includes additional allegations regarding purported violations of the federal securities laws and seeks substantially similar relief.

On October 8, 2010, the Defendants reached agreement in principle with the plaintiffs in the Actions regarding the settlement of the Actions. The terms of the settlement contemplated by that agreement in principle require that Trubion and we make certain additional disclosures related to the Acquisition, as set forth in our Current Report on Form 8-K filed on October 8, 2010. The parties also agreed that the plaintiffs in the Actions may seek attorneys' fees and costs in an aggregate amount up to $475,000, to be paid by Trubion if such fees and costs are approved by the State Court.

There will be no other payment by Trubion, any of the members of the Trubion board of directors or us to the plaintiffs or their respective counsels in connection with the settlement and dismissal of the Actions. The agreement in principle further contemplates that the parties will enter into a stipulation of settlement, which will be subject to customary conditions, including State Court approval following notice to Trubion's shareholders. The Actions were stayed pending approval of the settlement of the State Action by the State Court, after which the State Action and all claims asserted therein will be dismissed with prejudice and counsel for the plaintiff in the Federal Action will take all necessary steps to dismiss the Federal Action and all claims asserted therein with prejudice. On April 26, 2011, the State Court entered an order granting preliminary approval of the settlement and requiring that notice of the settlement and preliminary approval be mailed to class members by May 17, 2011. The order also provided that all class members wishing to be excluded from the settlement of the Actions give notice by June 21, 2011. At the subsequently scheduled hearing on July 29, 2011, the State Court determined the settlement was fair, reasonable and adequate to the class members and approved the settlement in all respects and entered a Final Judgement and Order of Dismissal with Prejudice.

Patent Oppositions. Our live attenuated modified vaccinia Ankara virus, or MVA, platform technology, which has the potential to be used as a viral vector for delivery of certain vaccine antigens for different disease-causing organisms, is based in part on rights to certain MVA-related materials and technology that we acquired from the Bavarian State Ministry of the Environment and Public Health. From 2006 to 2008, we filed patent oppositions in the European Patent Office against four of Bavarian Nordic's patents covering certain aspects of MVA technology. In each of the four pending opposition proceedings, the subject patents have also been opposed by one or more additional parties, including Sanofi Pasteur, Transgene, Baxter, Virbac, and Innogenetics. We and the other opponents have alleged that the opposed patents should be revoked for failure to fulfill one or more of the patentability requirements of the European Patent Convention, such as the requirements for novelty and inventive step.

In each opposition, a single hearing was held before the Opposition Division of the European Patent Office, in which each opponent presented oral argument and Bavarian Nordic presented rebuttal arguments. The first of these hearings, which occurred in June 2010, resulted in the Bavarian Nordic patent under consideration being maintained but narrowed in scope. Hearings in two of the other pending oppositions occurred in October 2010. Bavarian Nordic introduced amended patent claims into the record, which claims were upheld strictly and expressly conditioned on such claims being interpreted within a narrowly-defined scope. We timely filed our Appeal Briefs for each of the foregoing Oppositions. The Opposition Division held its hearing for the fourth pending opposition in January 2011. As for the previous oppositions, Bavarian Nordic introduced amended patent claims into the record, and the Opposition Division upheld the amended claims, which are narrower in scope than the originally granted claims. We submitted a Notice of Appeal on June 7, 2011. An Appeal Brief is due on August 18, 2011. We routinely monitor the grant of further Bavarian Nordic European patents to determine whether any additional oppositions should be filed.

Other. We are, and may in the future become, subject to other legal proceedings, claims and litigation arising in the ordinary course of our business in connection with the manufacture, distribution and use of our products and product candidates. For example, Emergent BioDefense Operations Lansing Inc., or EBOL, was a defendant, along with many other vaccine manufacturers, in a series of lawsuits that have been filed in various state and federal courts in the United States alleging that thimerosal, a mercury-containing preservative allegedly used by the defendants in the manufacture of some vaccines, caused personal injuries, including brain damage, central nervous system damage and autism. The last of the lawsuits in which EBOL was named a defendant, which were pending in California, were dismissed without prejudice in July 2010.

ITEM 1A. *RISK FACTORS*

Risks Related to Our Dependence on U.S. Government Contracts

We have derived substantially all of our revenue from sales of BioThrax under contracts with HHS or the DoD. If HHS or DoD demand for BioThrax is reduced, our business, financial condition and operating results could be materially harmed.

We have derived and expect for the foreseeable future to continue to derive substantially all of our revenue from sales to the U.S. government of BioThrax, our FDA-approved anthrax vaccine and only marketed product. We are currently party to a contract with the U.S. Department of Health and Human Services, or HHS, to supply doses of BioThrax for placement into the Strategic National Stockpile, or SNS. We are not currently party to a procurement contract with the U.S. Department of Defense, or DoD, which currently procures doses of BioThrax directly from the SNS. If the SNS priorities change, or if the DoD dose requirements from the SNS are reduced, our revenues could be substantially reduced.

Our existing contract expires in September 2011. The U.S. government has indicated that it intends to award us a sole source contract for the purchase of 44.75 million doses of BioThrax for placement into the SNS over a five-year period, and we are currently in discussions regarding this contract. However, our existing and prior contracts with HHS and the DoD do not necessarily increase the likelihood that we will secure this multi-year contract or future comparable contracts with the U.S. government. The success of our business and our operating results for the foreseeable future are substantially dependent on the terms of our BioThrax sales to the U.S. government, including price per dose, the number of doses and the timing of deliveries.

Our business may be harmed as a result of the government contracting process, which may be a competitive bidding process that involves risks and requirements not present in commercial contracting.

We expect that a significant portion of our near-term business will be under government contracts or subcontracts awarded through competitive bidding. Competitive bidding for government contracts presents a number of risks or requirements that are not typically present in the commercial contracting process, including:

- the commitment of substantial time and attention of management and key employees to the preparation of bids and proposals for contracts that may not be awarded to us;
- the need to accurately estimate the resources and cost structure that will be required to perform any contract that we might be awarded;
- the possibility that we may be ineligible to respond to a request for proposal issued by the government;
- the submission by third parties of protests to our responses to Requests For Proposal that could result in delays or withdrawals of those requests for proposal; and
- if our competitors protest or challenge contract awards made to us pursuant to competitive bidding, the potential that we may incur expenses or delays, and that any such protest or challenge would result in the resubmission of bids based on modified specifications, or in termination, reduction or modification of the awarded contract.

The U.S. government may choose not to award us future contracts for the development and supply of anthrax vaccines and other biodefense product candidates that we are developing, and may instead award such contracts to our competitors. If we are unable to win particular contracts, we may not be able to operate in the market for products that are provided under those contracts for a number of years. Additionally, if we are unable to consistently win new contract awards over an extended period, or if

we fail to anticipate all of the costs and resources that will be required to secure and, if applicable, perform such contract awards, our growth strategy and our business, financial condition and operating results could be materially and adversely affected.

Our U.S. government contracts require ongoing funding decisions by the government. Reduced or discontinued funding of these contracts could cause our financial condition and operating results to suffer materially.

Our principal customer for BioThrax is the U.S. government. We anticipate that the U.S. government will also be the principal customer for any other biodefense products that we successfully develop. Over its lifetime, a U.S. government program may be implemented through the award of many different individual contracts and subcontracts. The funding of some government programs is subject to Congressional appropriations, generally made on a fiscal year basis even though a program may continue for several years. Our government customers are subject to political considerations and stringent budgetary constraints. For example, the sale of most of the doses of BioThrax supplied under our most recent procurement contract with HHS was subject to the annual appropriations process. Additionally, our government-funded development contracts typically consist of a base period of performance followed by successive option periods for performance of certain future activities. The value of these optional services, which options are exercisable in the sole discretion of the government, may constitute the majority of the total value of the underlying contract. For example, the development contract we were awarded in September 2010 for development of PreviThrax consists of a two-year base period of performance valued at approximately $51 million, three successive one-year option periods valued at approximately $126 million and funding for optional non-clinical studies valued at approximately $9 million. If levels of government expenditures and authorizations for biodefense decrease or shift to programs in areas where we do not offer products or are not developing product candidates, our business, revenues and operating results may suffer.

The success of our business with the U.S. government depends on our compliance with regulations and obligations under our U.S. government contracts and various federal statutes and regulations.

Our business with the U.S. government is subject to specific procurement regulations and a variety of other legal compliance obligations. These laws and rules include those related to:

- § procurement integrity;
- § export control;
- § government security;
- § employment practices;
- § protection of the environment;
- § accuracy of records and the recording of costs; and
- § foreign corrupt practices.

In addition, before awarding us any future contracts, the U.S. government could require that we respond satisfactorily to a request to substantiate our commercial viability and industrial capabilities. Compliance with these obligations increases our performance and compliance costs. Failure to comply with these regulations and requirements could lead to suspension or debarment, for cause, from government contracting or subcontracting for a period of time. The termination of a government contract or relationship as a result of our failure to satisfy any of these obligations would have a negative impact on our operations and harm our reputation and ability to procure other government contracts in the future.

The pricing under our fixed price government contracts is based on estimates of the time, resources and expenses required to perform those contracts. If our estimates are not accurate, we may not be able to earn an adequate return or may incur a loss under these contracts.

Our existing and prior contracts for the supply of BioThrax with HHS and the DoD have been fixed price contracts. We expect that our future contracts with the U.S. government for BioThrax as well as contracts for biodefense product candidates that we successfully develop also may be fixed price contracts. Under a fixed price contract, we are required to deliver our products at a fixed price regardless of the actual costs we incur and to absorb any costs in excess of the fixed price. Estimating costs that are related to performance in accordance with contract specifications is difficult, particularly where the period of performance is over several years. Our failure to anticipate technical problems, estimate costs accurately or control costs during performance of a fixed price contract could reduce the profitability of a fixed price contract or cause a loss, which could in turn harm our operating results.

Unfavorable provisions in government contracts, some of which may be customary, may harm our business, financial condition and operating results.

Government contracts customarily contain provisions that give the government substantial rights and remedies, many of which are not typically found in commercial contracts, including provisions that allow the government to:

- § terminate existing contracts, in whole or in part, for any reason or no reason;
- § unilaterally reduce or modify contracts or subcontracts, including equitable price adjustments;
- § cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- § decline to exercise an option to renew a contract;
- § exercise an option to purchase only the minimum amount, if any, specified in a contract;
- § decline to exercise an option to purchase the maximum amount, if any, specified in a contract;
- § claim rights to products, including intellectual property, developed under the contract;
- § take actions that result in a longer development timeline than expected;
- § direct the course of a development program in a manner not chosen by the government contractor;
- § suspend or debar the contractor from doing business with the government or a specific government agency;
- § pursue criminal or civil remedies under the False Claims Act and False Statements Act; and
- § control or prohibit the export of products.

Generally, government contracts, including our HHS contracts for BioThrax, contain provisions permitting unilateral termination or modification, in whole or in part, at the government's convenience. Under general principles of government contracting law, if the government terminates a contract for convenience, the other party to that contract may recover only its incurred or committed costs, settlement expenses and profit on work completed prior to the termination.

If the government terminates a contract for default, the defaulting company is entitled to recover costs incurred and associated profits on accepted items only and may be liable for excess costs incurred by the government in procuring undelivered items from another source.

One or more of our government contracts could be terminated under these circumstances. Some government contracts grant the government the right to use, for or on behalf of the U.S. government, any technologies developed by the contractor under the government contract. If we were to develop technology under a contract with such a provision, we might not be able to prohibit third parties, including our competitors, from using that technology in providing products and services to the government.

Legal proceedings challenging the U.S. government's use of BioThrax may be costly to defend and could limit future purchases of BioThrax by the U.S. government.

Legal proceedings could be costly to defend, and the results could reduce demand for BioThrax by the U.S. government. For example, a group of unnamed military personnel filed a lawsuit in 2003 seeking to enjoin the DoD from administering BioThrax on a mandatory basis without informed consent of the recipient or a Presidential

waiver, and a federal court issued the requested injunction in 2004. In 2005, the Food and Drug Administration, or FDA, issued an order affirming the BioThrax license and, as a result, an appellate court ruled in February 2006 that the injunction was dissolved.

In October 2006, the DoD announced that it was resuming a mandatory vaccination program for BioThrax for designated personnel and contractors. In December 2006, the same counsel who brought the prior lawsuit filed a new lawsuit contending that the FDA's 2005 Final Order should be set aside and that BioThrax is not properly approved for use in the DoD's vaccination program. In February 2008, the federal district court in which that case was pending dismissed the action, concluding that the FDA did not make a clear error of judgment in reaffirming the safety and efficacy of BioThrax. On September 29, 2009, the United States Court of Appeals for the District of Columbia Circuit issued its opinion in *Rempfer v. Torti*, affirming the February 29, 2008 finding of the District Court that the FDA did not violate the Administrative Procedure Act in connection with its December 19, 2005 Final Order classifying BioThrax as safe and effective. The plaintiffs' petition for writ of certiorari in the United States Supreme Court was denied on March 1, 2010.

Although we are not a party to any lawsuits challenging the DoD's mandatory use of BioThrax, if a court were to again enjoin the DoD's use of BioThrax on a mandatory basis, the amount of future purchases of BioThrax by the U.S. government could be affected. Furthermore, contractual indemnification provisions and statutory liability protections may not fully protect us from all related liabilities, and statutory liability protections could be revoked or amended to reduce the scope of liability protection. For example, we have invoiced the DoD for reimbursement of our costs incurred with respect to the lawsuits filed against us by current and former members of the U.S. military claiming damages as the result of personal injuries allegedly suffered from vaccination with BioThrax, and we are continuing our efforts to negotiate with the DoD for a satisfactory resolution of that claim. In addition, lawsuits brought directly against us by third parties, even if not successful, would require us to spend time and money defending the related litigation that may not be reimbursed by insurance carriers or covered by indemnification under existing contracts.

Risks Related to Our Financial Position and Need for Additional Financing

We may not maintain profitability in future periods or on a consistent basis.

Although we have been profitable for each of the last five fiscal years, we have not been profitable for every quarter during that time. For example, we incurred a net loss of $20.3 million for the first quarter of 2011. Our profitability is substantially dependent on BioThrax product sales. BioThrax product sales have fluctuated significantly in recent quarters, and we expect that they will continue to fluctuate significantly from quarter to quarter based on several factors, including the timing of our fulfilling orders from the U.S. government. Additionally, our profitability may be adversely affected as we progress through various stages of ongoing or planned clinical trials for our product candidates. We may not be able to achieve consistent profitability on a quarterly basis or sustain or increase profitability on an annual basis.

Our indebtedness may limit cash flow available to invest in the ongoing needs of our business.

As of June 30, 2011, we had $39.3 million principal amount of debt outstanding. We may seek to raise substantial external debt financing to provide additional financial flexibility. The assumption of debt could have significant adverse consequences, including:

- requiring us to dedicate a substantial portion of any cash flow from operations to the payment of interest on, and principal of, our debt, which will reduce the amounts available to fund working capital, capital expenditures, product development efforts and other general corporate purposes;
- increasing the amount of interest that we have to pay on debt with variable interest rates if market rates of interest increase;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

We may not have sufficient funds or may be unable to arrange for additional financing to pay the amounts due under our existing debt. In addition, a failure to comply with the covenants under our existing debt instruments could result in an event of default under those instruments. In the event of an acceleration of amounts due under our debt instruments as a result of an event of default, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness or to make any accelerated payments, and the lenders could seek to enforce security interests in the collateral securing such indebtedness. In addition, the covenants under our existing debt instruments and the pledge of our existing assets as collateral limit our ability to obtain additional debt financing.

We expect to require additional funding and may be unable to raise capital when needed, which would harm our business, financial condition and operating results.

We expect our development expenses to increase in connection with our ongoing activities, particularly as we conduct additional and later stage clinical trials for our product candidates. We also expect our commercialization expenses to increase in the future as we seek to broaden the market for BioThrax and if we receive marketing approval for additional products. We also may undertake additional facility projects in the future. In the event that our ability to sell BioThrax to the U.S. government is interrupted for an extended period of time, we will utilize our cash balances to help fund our ongoing operations.

As of June 30, 2011, we had $127.1 million of cash, cash equivalents and investments. Our future capital requirements will depend on many factors, including:

- the level and timing of BioThrax product sales and cost of product sales;
- our ability to obtain funding from government entities and non-government and philanthropic organizations for our development programs;
- the level of participation of collaborative partners in our development programs, including Pfizer Inc., or Pfizer, with respect to SBI-087, and Abbott Laboratories, or Abbott, with respect to TRU-016;
- the acquisition of new facilities and capital improvements to new or existing facilities;
- the timing of, and the costs involved in, completion of qualification and validation activities related to Building 55, our large-scale manufacturing facility in Lansing, Michigan, the build out of our new facility in Baltimore, Maryland, and any other new facilities;
- the scope, progress, results and costs of our preclinical and clinical development activities;
- the costs, timing and outcome of regulatory review of our product candidates;
- the number of, and development requirements for, other product candidates that we may pursue;
- the costs of commercialization activities, including product marketing, sales and distribution;
- the market acceptance and sales growth of any of our products or product candidates upon regulatory approval;
- the extent to which our growth generates increased administrative costs;
- the extent to which we lend money to, and are able to obtain repayment from, third parties;
- the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other patent-related costs, including litigation costs and the results of such litigation;
- the extent to which we acquire or invest in companies, businesses, products or technologies;
- the effect of competing technological and market developments; and
- the extent to which we become obligated to make cash payments related to the contingent value rights issued to former holders of common stock of Trubion Pharmaceuticals, Inc., or Trubion, in connection with our acquisition of Trubion that are not offset by corresponding cash inflows from our collaborative partners.

We may require additional sources of funds for future acquisitions that we may make or, depending on the size of the obligation, to meet balloon payments upon maturity of our current borrowings. To the extent our capital resources are insufficient to meet our future capital requirements, we will need to finance our cash needs through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. Current economic conditions may make it difficult to obtain financing on attractive terms or at all. Lenders may be able to impose covenants on us that could be difficult to satisfy, which could put us at increased risk of

defaulting on debt. If financing is unavailable or lost, we could be forced to delay, reduce the scope of or eliminate our research and development programs or reduce our planned commercialization efforts.

Our ability to borrow additional amounts under any line of credit we may establish will likely be subject to our satisfaction of specified conditions. Additional equity or debt financing, grants or corporate collaboration and licensing arrangements may not be available on acceptable terms, if at all. If we raise additional funds by issuing equity securities, our stockholders may experience dilution. 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.

Any debt financing or additional equity that we raise may contain terms, such as liquidation and other preferences, that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies or product candidates or grant licenses on terms that may not be favorable to us.

Risks Related to Manufacturing and Manufacturing Facilities

We are in the process of expanding our manufacturing facilities and entering into arrangements with contract manufacturing organizations. Delays in completing facilities, or delays or failures in obtaining regulatory approvals for new manufacturing facility projects or new contract manufacturing partners, could limit our potential revenues and growth.

We continually evaluate alternatives for the manufacture of BioThrax and our various product candidates. We may seek to acquire one or more additional facilities or sign agreements with contract manufacturing organizations. We have constructed Building 55, a large-scale manufacturing facility on our Lansing, Michigan campus for which we received an award from the Biomedical Advanced Research and Development Authority, or BARDA, in July 2010 for scale-up, qualification and validation to manufacture BioThrax.

Additionally, in 2009, we acquired a facility in Baltimore, Maryland which we expect to utilize for certain product development or manufacturing projects. In order to do so, we will need to make certain capital expenditures to upgrade and maintain this facility.

Constructing, preparing and maintaining a facility for manufacturing purposes is a significant project. For example, the process for qualifying and validating Building 55 for FDA licensure will be costly and time consuming, may result in unanticipated delays and may cost more than expected due to a number of factors, including regulatory requirements. The costs and time required to comply with current good manufacturing practices, or cGMP, regulations or similar regulatory requirements for sales of our products outside the U.S. may be significant. We may also need to hire and train significant numbers of employees to staff our facility. Start-up costs can be large and scale-up entails significant risks related to process development and manufacturing yields. If our qualification and validation activities are delayed, we may not be able to meet our obligations to our customers, which may limit our opportunities for growth. Costs associated with constructing, qualifying and validating manufacturing facilities could require us to raise additional funds from external sources, and we may not be able to do so on favorable terms or at all.

BioThrax and our product candidates are complex to manufacture and ship, which could cause us to experience delays in revenues or shortages of products.

BioThrax and all our product candidates are biologics. Manufacturing biologic products, especially in large quantities, is complex. The products must be made consistently and in compliance with a clearly defined manufacturing process. Accordingly, it is essential to be able to validate and control the manufacturing process to assure that it is reproducible. Slight deviations anywhere in the manufacturing process, including maintaining master seed or cell banks and preventing drift, obtaining materials, seed or cell growth, fermentation, filtration, filling, labeling, packaging, storage and shipping and quality control and testing, may result in lot failures or manufacturing shut-down, delays in the release of lots, product recalls, spoilage or regulatory action. Success rates can vary dramatically at different stages of the manufacturing process, which can reduce yields and increase costs. From time to time we may experience deviations in the manufacturing process that may take significant time and resources to resolve and if unresolved may affect manufacturing output and could cause us to fail to satisfy customer orders or contractual commitments, lead to a termination of one or more of our contracts, lead to delays in our clinical trials, result in litigation or regulatory action against us or cause the FDA to cease releasing product until the deviations are explained and corrected, any of which could be costly to us and negatively impact our business.

FDA approval is required for the release of each lot of BioThrax. We will not be able to sell any lots that fail to satisfy the release testing specifications. We must provide the FDA with the results of potency testing before lots are released for sale. We have one mechanism for conducting this potency testing that is reliant on a unique animal strain for which we currently have no alternative. In developing alternatives, we may face significant regulatory hurdles. In the event of a problem with this strain, if we have not developed alternatives, we would not be able to provide the FDA with required potency testing data and not be able to complete product release.

Additionally, potency testing of each lot of BioThrax is performed against a qualified reference lot that we maintain. We continually monitor the status of our reference lot and periodically produce and qualify a new reference lot to replace the existing reference lot. For example, we prepared and qualified a new reference lot during the second quarter of 2011 to replace our prior, qualified reference lot. If we are not able to satisfy the FDA's requirements for release of BioThrax, our ability to sell BioThrax would be impaired until such time as we become able to meet such requirements, which would significantly impact our revenues, require us to utilize our cash balances to help fund our ongoing operations and otherwise harm our business.

In addition, we are contractually required to ship BioThrax at a prescribed temperature range during shipping, and variations from that temperature range could result in loss of product and could adversely affect our profitability. Delays, lot failures, shipping deviations, spoilage or other loss during shipping could cause us to fail to satisfy customer orders or contractual commitments, lead to a termination of one or more of our contracts, lead to delays in our clinical trials or result in litigation or regulatory action against us, any of which could be costly to us and otherwise harm our business.

Disruption at, damage to or destruction of our manufacturing facilities could impede our ability to manufacture BioThrax, which would harm our business, financial condition and operating results.

We currently rely on our manufacturing facilities at a single location in Lansing, Michigan for the production of BioThrax. Any interruption in manufacturing operations at this location could result in our inability to satisfy the product demands of our customers. A number of factors could cause interruptions, including:

- § equipment malfunctions or failures;
- § technology malfunctions;
- § work stoppages or slow-downs;
- § protests, including by animal rights activists;
- § damage to or destruction of the facility;
- § regional power shortages; or
- § product tampering.

As our equipment ages, it will need to be replaced. Replacement of equipment has the potential to introduce variations in the manufacturing process that may result in lot failures or manufacturing shut-down, delay in the release of lots, product recalls, spoilage or regulatory action.

In addition, providers of bioterrorism countermeasures could be subject to an increased risk of terrorist activities. For example, the U.S. government has designated our Lansing facility as a facility requiring additional security to protect against potential terrorist threats to the facility. Any disruption that impedes our ability to manufacture

and ship BioThrax in a timely manner could reduce our revenues and materially harm our business, financial condition and operating results.

If the company on which we rely for filling BioThrax vials is unable to perform these services for us, our business may suffer.

We have outsourced the operation for filling BioThrax into vials to a single company. If this filler were unable to perform filling services for us, we would need to engage, qualify and license an alternative filling company or develop our own filling capabilities, all of which could involve significant time and cost. Any new contract filling company or filling capabilities that we acquire or develop will need to be approved by the FDA. We have identified and contracted with an additional provider that we believe can handle our filling needs. Before this additional provider can perform filling services for us, it must be qualified and licensed by the FDA. Such qualification and licensure may be time consuming and costly, and may not result in FDA approval.

Our business may be harmed if we do not adequately forecast customer demand.

The timing and amount of customer demand is difficult to predict. We may not be able to scale-up our production quickly enough to fill any new customer orders on a timely basis. This could cause us to lose new business and possibly existing business. For example, we, or third party manufacturers with whom we may contract, may not be able to scale-up manufacturing processes for our product candidates to allow production of commercial quantities at a reasonable cost or at all. Furthermore, if we overestimate customer demand, or choose to commercialize products for which the market is smaller than we anticipate, we could incur significant unrecoverable costs from creating excess capacity. In addition, if we do not successfully develop and commercialize any of our product candidates, we may never utilize the production capacity that we expect to have available.

If third parties do not manufacture our product candidates or supplies for our manufacture of BioThrax in sufficient quantities and at an acceptable cost or in compliance with regulatory requirements and specifications, the development and commercialization of our product candidates could be delayed, prevented or impaired.

We currently rely, or plan to rely, on third parties to manufacture the supplies of some or all of our vaccine and therapeutic product candidates that we require for preclinical and clinical development. For example, we currently depend on contract manufacturers for certain biopharmaceutical development and manufacturing services for TRU-016, our clinical candidate that we are developing in collaboration with Abbott, and plan to have Abbott perform certain TRU-016 manufacturing services in 2011. We also rely on third-party manufacturers for filling and finishing services for our product candidates. Any significant delay in obtaining adequate supplies of our product candidates could adversely affect our ability to develop or commercialize these product candidates. For example, in 2008 the initial manufacturer of Thravixa informed us it was discontinuing contract manufacturing operations and we were forced to secure alternative manufacturing resources to continue development of this product candidate.

In addition, we expect that we will rely on third parties for a portion of the manufacturing process for commercial supplies of product candidates that we successfully develop and we will rely on those manufacturers to comply with a wide variety of rules and regulations. The manufacture and delivery of sufficient quantities of pharmaceutical products is a time-consuming and complex process. If our contract manufacturers are unable to scale-up production to generate enough materials for commercial launch, if manufacturing is of insufficient quality or not compliant with applicable rules and regulations, or if the costs of manufacturing are prohibitively high, the success of those products may be jeopardized. Our current and anticipated future dependence upon others for the manufacture of our product candidates may adversely affect our ability to develop product candidates and commercialize any products that receive regulatory approval on a timely and competitive basis.

Reliance on contract manufacturers, other vendors and collaborators limits our control regarding many aspects of the manufacturing and delivery process and therefore exposes us to a variety of significant risks, including:

- § limitations on our ability to schedule production with contract suppliers when needed to supply clinical trials;
- § reliance on contract suppliers for legal and regulatory compliance and quality assurance;
- § lack of obligation by a contract supplier to accept a purchase order;
- § a contract supplier’s insistence on exclusivity, minimum or maximum levels of supply and related restrictions on our ability to increase or decrease supply, including provisions whereby we pay a penalty if we fail to order a minimum amount;
- § breach of agreements by contract suppliers; and
- § termination, price increases, or non-renewal of agreements by contract suppliers, based on other business priorities, at times that are costly or inconvenient for us.

We operate under short-term supply agreements with a number of third party manufacturers that are not obligated to accept any purchase orders we may submit. Third party manufacturers may also be unable or unwilling to accommodate our production scheduling requests, or may insist on exclusivity or minimum or maximum levels of supply, or may raise prices or decline to renew contracts. If any third party terminates or declines to renew its agreement with us, or otherwise fails to fulfill our purchase orders on terms acceptable to us, we would need to rely on alternative sources or develop our own manufacturing capabilities to satisfy our requirements.

If alternative suppliers are not available or are delayed in fulfilling our requirements, or if we are unsuccessful in developing our own manufacturing capabilities, we may not be able to obtain adequate supplies of our product candidates on a timely basis. A change of manufacturers would require review and approval by the FDA and the applicable foreign regulatory agencies. This review and approval may be costly and time consuming. There are a limited number of manufacturers that operate under cGMP requirements and that are both capable of manufacturing for us and willing to do so. We may not be able to reach agreement on reasonable terms, if at all, with these manufacturers.

We currently rely on third parties for regulatory compliance and quality assurance with respect to the supplies of our product candidates that they produce for us. We also will rely for these purposes on any third party that we use for production of commercial supplies of product candidates that we successfully develop. Manufacturers are subject to ongoing, periodic, unannounced inspection by the FDA and corresponding state and foreign agencies or their designees to ensure strict compliance with cGMP regulations and other governmental regulations and corresponding foreign standards.

We cannot be certain that our present or future manufacturers will be able to comply with cGMP regulations and other FDA regulatory requirements or similar regulatory requirements outside the U.S. We do not control compliance by manufacturers with these regulations and standards. If we or these third parties fail to comply with applicable regulations, sanctions could be imposed on us, which could significantly and adversely affect supplies of our product candidates. The sanctions that might be imposed include:

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

If we or third parties are unable to manufacture our product candidates in compliance with regulatory requirements, in sufficient quantities, at an acceptable cost and according to applicable timelines, our clinical trials could be delayed, production costs could be significantly increased and the development prospects and commercial viability of our product candidates could be harmed.

We also depend on certain single-source suppliers for materials and services necessary for the manufacture of BioThrax and our product candidates. A disruption in the availability of such materials or services from these suppliers could require us to qualify and validate alternative suppliers. If we are unable to locate or establish alternative suppliers, our ability to manufacture our products could be adversely affected and also could cause us to fail to satisfy customer orders or contractual commitments, lead to a termination of one or more of our contracts, lead to delays in our clinical trials or result in litigation or regulatory action against us, any of which could be costly to us and otherwise harm our business.

Our use of hazardous materials, chemicals, bacteria and viruses requires us to comply with regulatory requirements and exposes us to significant potential liabilities.

Our research and development and manufacturing processes involve the use of hazardous materials, including chemicals, bacteria, viruses and radioactive materials, and produce waste products. Accordingly, we, the third parties that conduct clinical trials on our behalf, and the third parties that manufacture our product candidates are subject to federal, state, local and foreign laws and regulations governing the use, manufacture, distribution, storage, handling, disposal and recordkeeping of these materials. We are also subject to a variety of environmental laws in Michigan, including those regarding underground storage tanks. One such tank on our Lansing, Michigan campus has leaked in the past. The State of Michigan removed the tank, continues to monitor the situation and has agreed to indemnify us for any resulting liabilities. In the event that the State of Michigan does not indemnify us, or if our insurance does not cover the exposure of any remediation that may be necessary, we may be required to spend significant amounts on remediation efforts. In addition to complying with environmental and occupational health and safety laws, we must comply with special regulations relating to biosafety administered by the Centers for Disease Control and Prevention, or CDC, HHS and the DoD.

The Public Health Security and Bioterrorism Preparedness and Response Act and the Agricultural Protection Act require us to register with the CDC and U.S. Department of Agriculture our possession, use or transfer of select biological agents or toxins that could pose a threat to public health and safety, to animal or plant health or to animal or plant products. This legislation requires increased safeguards and security measures for these select agents and toxins, including controlled access and the screening of entities and personnel and establishes a comprehensive national database of registered entities.

We also are subject to export control regulations governing the export of BioThrax and technology and materials used to develop and manufacture BioThrax and our product candidates. These laws and regulations may limit the countries in which we may conduct development and manufacturing activities.

If we fail to comply with environmental, occupational health and safety, biosafety and export control laws, we could be held liable for fines, penalties and damages that result, and any such liability could exceed our assets and resources. In addition, we could be required to cease immediately all use of a select agent or toxin, and we could be prohibited from exporting our products, technology and materials or we could be suspended from the right to do business with the U.S. government. In addition, we cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of hazardous materials. In the event of injury or a future contamination event, we could be held liable for resulting damages, and any liability could significantly impact our financial position.

Our insurance policies may not adequately compensate us for all liabilities that we may incur in the event of unanticipated costs, exposing us to potential expense and reduced profitability.

We hold a number of insurance policies in an effort to protect ourselves against extraordinary or unanticipated costs. Our general liability and excess insurance policies provide for coverage up to annual aggregate limits of $12 million, with coverage of $1 million per occurrence and $2 million in the aggregate for general liability and $10 million per occurrence and in the aggregate for excess liability. Both policies exclude coverage for liabilities relating to the release of pollutants. We do not currently hold insurance policies expressly providing for coverage relating to our use of hazardous materials other than storage tank liability insurance for our Lansing facility with coverage of $1 million per occurrence and $2 million annual aggregate limit and a $25,000 per claim deductible. We hold product liability and clinical trial liability insurance policies for our commercial products and each clinical trial we are conducting in amounts we deem appropriate.

These policies are subject to deductibles, exclusions and coverage limitations. We may be unable to maintain existing insurance or obtain new coverage or increase limits in the future on reasonable terms or at all. Circumstances may arise where we face liabilities that are not covered by our insurance policies, or where our coverage is not adequate, which may expose us to significant liabilities and significantly and adversely affect our business or financial position.

Risks Related to Product Development

Our business depends significantly on our success in completing development and commercialization of our product candidates at acceptable costs. If we are unable to commercialize these product candidates, or experience significant delays or unanticipated costs in doing so, our business will be materially harmed.

We have invested a significant portion of our efforts and financial resources in the development of our vaccines and therapeutic product candidates and the acquisition of additional product candidates. In addition to BioThrax sales, our ability to generate near term revenue is dependent on the success of our development programs and collaboration programs, on the U.S. government's interest in providing development funding for or procuring certain of our product candidates, on the interest of non-governmental organizations in providing grant funding for development of certain of our product candidates and on the commercial viability of our product candidates. The commercial success of our product candidates will depend on many factors, including accomplishing the following in an economical manner:

- successful development, formulation and cGMP scale-up of biological manufacturing that meets FDA requirements;
- successful development of animal models;
- successful completion of non-clinical development, including studies in approved animal models;
- the expense of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- successful completion of clinical trials;
- receipt of marketing approvals from the FDA and equivalent foreign regulatory authorities;
- procurement of our biodefense product candidates prior to FDA approval;
- establishing commercial manufacturing processes of our own or arrangements with contract manufacturers;
- manufacturing stable commercial supplies of product candidates, including materials based on recombinant technology;
- launching commercial sales of the product candidate, whether alone or in collaboration with others; and
- acceptance of the product candidate by potential government customers, physicians, patients, healthcare payors and others in the medical community.

If we are prevented from developing and commercializing a product candidate in an economically acceptable manner, that product program may be adversely affected and the commercial success of the product candidate may be harmed. For example, we recently agreed with one of our contract manufacturers to extend the commencement date of the commercial term for manufacture of Anthrivig. We are currently in negotiations with that contract manufacturer for a longer-term resolution regarding commercial the production; however, in the event that we are not able to negotiate a satisfactory resolution we may be required to explore other options for Anthrivig that could result in less favorable commercial success for this product candidate, or no commercial success at all.

We depend on our collaborative relationships with Pfizer and Abbott to develop, manufacture, and commercialize certain of our recently acquired product candidates.

We are party to collaboration agreements with each of Pfizer and Abbott. Under the terms of the Pfizer collaboration, Pfizer is responsible for regulatory approval of and any subsequent commercialization of SBI-087. Under the Abbott collaboration for the development and commercialization of TRU-016, we and Abbott must jointly agree to all development and commercialization plans and timelines for TRU-016. If either of our collaborative partners opts-out of or terminates its agreement with us or fails to fulfill its obligations, we would need to obtain the capital necessary to fully fund the development and commercialization of the related product candidates or enter into alternative arrangements with a third party. We could also become involved in disputes with either of these collaborative partners, which could lead to delays in or termination of our development and commercialization programs and time-consuming and expensive litigation or arbitration. If either Pfizer or Abbott terminates or

breaches its agreement with us, or otherwise fails to complete its obligations in a timely manner, our collaboration product development programs would be substantially delayed and the chances of successfully developing or commercializing our collaboration product candidates would be materially and adversely affected.

Our collaboration with Pfizer also initially included TRU-015, an investigational drug in Phase II evaluation for the treatment of Rheumatoid Arthritis, or RA. In June 2010, Pfizer decided to discontinue development of TRU-015 based on preliminary results from the study, which, although consistent with previous studies and similar to other B-cell-depleting therapies, did not meet the internally predefined primary endpoint of the Phase II study. In April 2011, Pfizer also determined to not pursue development of certain other product candidates directed to targets other than CD20 that had been established pursuant to our collaboration. Additionally, in May 2011, we and Pfizer agreed to remove certain exclusivity restrictions on Pfizer's ability to develop and commercialize certain anti-CD20 product candidates that are part of our collaboration. We cannot predict how or whether Pfizer will proceed with the collaboration or the development of any of the remaining collaboration product candidates, including SBI-087 and other therapeutics directed to CD20. Our ability to receive any significant revenue from our product candidates covered by the collaboration agreement depends on the efforts of Pfizer and on our ability to collaborate effectively. Any future payments, including royalties to us, will depend on the extent to which we and Pfizer advance product candidates through development and commercialization. Pfizer may terminate the collaboration relationship, in whole or in part, without cause, by giving 90 days' written notice to us. Pfizer also has the right to terminate the agreement, on a target-by-target basis, upon 60 days' written notice, if any safety or regulatory issue arises that would have a material adverse effect on Pfizer's ability to develop, manufacture or commercialize one or more product candidates.

With respect to control over decisions and responsibilities, the collaboration agreement with Pfizer provides for a research committee and a CD20-directed therapy development committee consisting of representatives of Pfizer and us. Ultimate decision-making authority as to most matters within the collaboration, including development plans and timelines, however, is vested in Pfizer.

In August 2009, Trubion entered into a collaboration agreement with Facet Biotech Corporation, or Facet, for the joint worldwide development and commercialization of TRU-016, a product candidate in Phase I clinical development for chronic lymphocytic leukemia, or CLL, and other CD37-directed protein therapeutics. Facet became a wholly-owned subsidiary of Abbott in April 2010. Under the terms of the collaboration agreement, neither we nor Abbott have the right to develop or commercialize protein therapeutics directed to CD37 outside of the collaboration, and development and commercialization expenses incurred by both companies in the development and commercialization of TRU-016 are shared equally. Our ability to receive funding for TRU-016 under the collaboration depends on our ability to collaborate effectively with Abbott. Any future payments, including milestones payable to us, will depend on the extent to which we and Abbott advance TRU-016 through development and commercialization. With respect to control over decisions and responsibilities, the collaboration agreement provides for a joint steering committee that must make decisions by consensus. Failure to reach consensus on material aspects of the development or commercialization of TRU-016 would lead to dispute resolution by our respective designated officers, and potentially arbitration, any of which could delay the development of TRU-016, which may harm our business. Additionally, Abbott may terminate the collaboration agreement without cause, and would not be obligated to pay us a termination fee. Abbott also has the right upon 90 days' written notice to terminate the agreement for any uncured material breach by us. Under certain circumstances, the parties have the right to opt out of the collaboration or may be deemed to have opted out of the collaboration with respect to the product. If Abbott opts out of the collaboration with respect to a product, then we would become responsible for all development and commercialization costs for that product and be obligated to pay Abbott certain royalty payments upon the sale of that product. We are currently the lead manufacturing party for TRU-016. If we opt out of the collaboration and are the lead TRU-016 manufacturing party at that time, we would be obligated to continue to supply TRU-016 to Abbott for up to 18 months.

While SBI-087 or TRU-016 may never be successfully developed or commercialized, if either Pfizer or Abbott were to fail to perform its obligations in a timely manner or were to terminate or opt out of its collaboration with us, the development and commercialization of the affected product would be substantially delayed and may be otherwise adversely affected, which could have a material adverse effect on our results of operations.

We will not be able to commercialize our product candidates if our preclinical development efforts are not successful, our clinical trials do not demonstrate safety or our clinical trials or animal studies do not demonstrate efficacy.

Before obtaining regulatory approval for the sale of our product candidates, we and our collaborative partners must conduct extensive preclinical studies and clinical trials to establish proof of concept, safety and efficacy of our product candidates. Preclinical and clinical testing is expensive, difficult to design and implement, can take many years to complete and the outcome of such trials is uncertain. Success in preclinical testing and early clinical trials does not ensure that later clinical trials or animal efficacy studies will be successful, and interim results of a clinical trial or animal efficacy study do not necessarily predict final results. For example, in December 2008, we and Sanofi Pasteur determined that the joint efforts of our collaboration related to our meningitis B product development program had not identified a viable product candidate, which effectively ended development activities under this collaboration. A number of companies in the biotechnology and pharmaceutical industries have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials.

We expect to rely on FDA regulations known as the "animal rule" to obtain approval for certain of our product candidates. The animal rule permits the use of animal efficacy studies together with human clinical safety and immunogenicity trials to support an application for marketing approval. These regulations are relatively new, and we have limited experience in the application of these rules to the product candidates that we are developing. It is possible that results from these animal efficacy studies may not be predictive of the actual efficacy of our vaccine and therapeutic product candidates in humans. If we are not successful in completing the development and commercialization of our vaccine and therapeutic product candidates, or if we are significantly delayed in doing so, our business will be materially harmed.

A failure of one or more of our clinical trials or animal efficacy studies 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 or animal efficacy study 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, or our collaborators, to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- § we may decide, or regulators may require us, to conduct additional preclinical testing or clinical trials, or we may abandon projects that we expect to be promising, if our preclinical tests, clinical trials or animal efficacy studies produce negative or inconclusive results;
- § we might have to suspend or terminate our clinical trials if the participants are being exposed to unacceptable health risks;
- § regulators or institutional review boards may require that we hold, suspend or terminate clinical development for various reasons, including noncompliance with regulatory requirements;
- § regulators may determine that service providers we use in the conduct of a clinical trial are precluded from providing such services;
- § we or a collaborative partner may experience delay in beginning the clinical trial;
- § we may experience competition in recruiting clinical investigators;
- § the cost of our clinical trials could escalate and become cost prohibitive;
- § any regulatory approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the product not commercially viable;
- § regulatory requirements, policy and guidelines could change;
- § we may experience limitations in our ability to manufacture or obtain from third parties materials sufficient for use in preclinical studies and clinical trials;
- § we or our collaborators may fail to adequately manage the increasing number, size and complexity of our clinical trials;
- § any or all of our collaborators, the FDA and foreign regulatory agencies may interpret data differently;
- § third parties conducting and overseeing the operations of our clinical trials may fail to perform their contractual or regulatory obligations in a timely fashion;
- § we may not be successful in recruiting a sufficient number of qualifying subjects for our clinical trials or may experience delays in patient enrollment and variability in the number and types of patients available for clinical trials; and
- § the effects of our product candidates may not be the desired effects or may include undesirable side effects or the product candidates may have other unexpected characteristics.

In addition, because some of our current and future vaccine product candidates contain live attenuated viruses, our testing of these vaccine product candidates is subject to additional risk. For example, there have been reports of serious adverse events following administration of live vaccine products in clinical trials conducted by other vaccine developers. Also, for some of our current and future vaccine product candidates, we expect to conduct clinical trials in chronic carriers of the disease that our product candidate seeks to prevent. There have been reports of disease flares in chronic carriers following administration of live vaccine products.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if our clinical trials are not well designed, 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, we may:

- § be delayed in obtaining marketing approval for our product candidates;
- § obtain approval for indications that are not as broad as intended; or
- § not be able to obtain marketing approval.

Our product development costs will also increase if we experience delays in testing, are required to conduct additional testing, or experience delays in product approval. 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.

Under the Project BioShield Act, the Secretary of HHS, or the Secretary, can contract to purchase countermeasures for the SNS prior to FDA approval of the countermeasure in specified circumstances. Project BioShield also allows the Secretary to authorize the emergency use of medical products that have not yet been approved by the FDA. However, our biodefense product candidates might not be selected by the Secretary under this authority. Moreover, this authority could result in increased competition for our products and product candidates.

If our drug discovery and development programs do not progress as anticipated, our revenue and stock price could be negatively impacted.

We estimate the timing of a variety of preclinical, clinical, regulatory and other milestones for planning purposes, including when a drug candidate is expected to enter clinical trials, when a clinical trial will be completed, when and if additional clinical trials will commence, or when an application for regulatory approval will be filed. We base our estimates on facts that are currently known to us and on a variety of assumptions that may prove not to be correct for a variety of reasons, many of which are beyond our control. For example, delays in the development of drugs by us or our collaborators may be caused by many factors, including regulatory or patent issues, negative or inconclusive interim or final results of on-going clinical trials, scheduling conflicts with participating clinics and the rate of patient enrollment in clinical trials and the development priorities of our collaborators. In addition, in preparing these estimates we rely on the timeliness and accuracy of information and estimates reported or provided to us by our collaborators concerning the timing, progress and results of clinical trials or other development activities they conduct under our collaborations with them. If we or our collaborators do not achieve milestones when anticipated, we may not achieve our planned revenue and our stock price could decline. In addition, any delays in obtaining approvals to market and sell drugs may result in the loss of competitive advantages in being on the market sooner than, or in advance of, competing products, which may reduce the value of these products and the potential revenue we receive from the eventual sale of these products, either directly or under agreements with our partners.

Our product development efforts could also result in large and immediate write-offs, significant milestone payments, incurrence of debt and contingent liabilities or amortization of expense related to intangible assets, any of which could negatively impact our financial results. Additionally, if we were unable to develop any of our product candidates into viable commercial products, we will be reliant solely on sales of our currently approved product BioThrax for our revenues, thus limiting our growth opportunities and diversification.

Risks Related to Commercialization

If we fail to achieve significant sales of BioThrax to customers in addition to the U.S. government, our opportunities for growth could be harmed.

An element of our business strategy is to establish a market for sales of BioThrax to customers in addition to the U.S. government. These potential customers include foreign governments and state and local governments, which we expect will be interested in BioThrax to protect emergency responders such as police, fire and emergency medical personnel, multinational companies, non-governmental organizations and hospitals.

The market for sales of BioThrax to customers other than the U.S. government is undeveloped, and we may not be successful in generating meaningful sales of BioThrax to these potential customers. For example, in June 2011 the Singapore Health Sciences Authority approved our product license application for the marketing and sale of BioThrax in Singapore. Although our product license application has been approved, we have not secured a contract for the sale of BioThrax to the Singapore government. To date, we have supplied only small amounts of BioThrax directly to foreign governments and our sales of BioThrax to customers other than the U.S. government has represented a small portion of our revenue. If we fail to significantly increase our sales of BioThrax to these customers, our business and opportunities for growth could be materially harmed.

Government regulations may make it difficult for us to achieve significant sales of BioThrax to customers other than the U.S. government. For example, many foreign governments require licensure of BioThrax in their jurisdiction before they will consider procuring doses. Additionally, we are subject to export control laws imposed by the U.S. government. Although there are currently only limited restrictions on the export of BioThrax and related technology, the U.S. government may decide, particularly in the current environment of elevated concerns about global terrorism, to increase the scope of export prohibitions. These prohibitions could limit our sales of BioThrax to foreign governments and other foreign customers. In addition, U.S. government demand for an anthrax vaccine may limit supplies of BioThrax available for sale to non-U.S. government customers. For example, our efforts to develop domestic commercial and international sales may be impeded by the DoD's right under the Defense Production Act to require us to deliver more doses than we currently anticipate. Furthermore, the DoD's sale of BioThrax to foreign governments under the Foreign Military Sales program has had and may continue to have an adverse effect on our ability to sell BioThrax internationally.

Our ability to meet any future potential increased demand for sales of BioThrax to customers other than the U.S. government depends on our available production capacity. We use substantially all of our current production capacity at our FDA-approved manufacturing facility in Lansing, Michigan to manufacture BioThrax for current sales to U.S. government customers. We have constructed Building 55, a large-scale manufacturing facility at our Lansing campus that is available for large-scale production of BioThrax, subject to final qualification and validation activities.

Laws and regulations governing international operations may preclude us from developing, manufacturing and selling certain product candidates outside of the United States and require us to develop and implement costly compliance programs.

As we continue to expand our operations outside of the United States, we must comply with numerous laws and regulations relating to international business operations. The creation and implementation of international business practices compliance programs is costly and such programs are difficult to enforce, particularly where reliance on third parties is required.

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of a foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting

provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments by third parties to hospitals in connection with clinical studies and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. Our presence outside of the United States will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

The failure to comply with laws governing international business practices may result in substantial penalties, including suspension or debarment from government contracting. Violation of the FCPA can result in significant civil and criminal penalties. Indictment alone under the FCPA can lead to suspension of the right to do business with the U.S. government until the pending claims are resolved. Conviction of a violation of the FCPA can result in long-term disqualification as a government contractor. The termination of a government contract or relationship as a result of our failure to satisfy any of our obligations under laws governing international business practices would have a negative impact on our operations and harm our reputation and ability to procure government contracts. The SEC also may suspend or bar issuers from listing their securities on United States securities exchanges for violations of the FCPA's accounting provisions.

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

Any products that we bring to the market may not gain or maintain market acceptance by potential government customers, physicians, patients, healthcare payors and others in the medical community.

In particular, our biodefense vaccine and therapeutic products and product candidates are subject to the product criteria that may be specified by potential U.S. government customers. The product specifications in any government procurement request may prohibit or preclude us from participating in the government program if our products or product candidates do not satisfy the stated criteria.

In addition, notwithstanding favorable findings regarding the safety and efficacy of BioThrax by the FDA in its final ruling in December 2005, the Government Accountability Office reiterated concerns regarding BioThrax in Congressional testimony in May 2006 that it had previously identified beginning in 1999. These concerns include the then-licensed six-dose regimen and annual booster doses, questions about the long-term and short-term safety of the vaccine, including how safety is affected by gender differences, and uncertainty about the vaccine's efficacy against inhalational anthrax. Continued reiteration of these concerns could have a detrimental effect on the market's acceptance of BioThrax.

The use of vaccines carries a risk of adverse health effects. The adverse reactions that have been associated with the administration of BioThrax include local reactions, such as redness, swelling and temporary limitation of motion in the inoculated arm, and systemic reactions, such as headache, fever, chills, nausea and general body aches. In addition, some serious adverse events have been reported to the vaccine adverse event reporting system database maintained by the CDC and the FDA with respect to BioThrax, including diabetes, heart attacks, autoimmune diseases, including Guillain-Barre syndrome, lupus, multiple sclerosis, lymphoma and death. None of these events have been causally linked to the administration of BioThrax. The report of any adverse event to the vaccine adverse event reporting system database is not proof that the vaccine caused such event.

The commercial success of many of our product candidates, including our oncology and autoimmune therapeutic product candidates, will depend upon, among other things, their acceptance by physicians, patients, third-party payors and other members of the medical community as a therapeutic and cost-effective alternative to competing products and treatments.

If any products that we develop do not achieve an adequate level of acceptance, we may not generate material revenues from sales of these products. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- our ability to provide acceptable evidence of safety and efficacy;
- the prevalence and severity of any side effects;
- availability, relative cost and relative efficacy of alternative and competing treatments;
- the ability to offer our product candidates for sale at competitive prices;
- the relative convenience and ease of administration;
- the willingness of the target patient population to try new products and of physicians to prescribe these products;
- the strength of marketing and distribution support;
- publicity concerning our products or competing products and treatments; and
- the sufficiency of coverage or reimbursement by third parties.

If our products and product candidates do not become widely accepted by potential government customers, physicians, patients, third-party payors and other members of the medical community, our business, financial condition and operating results could be materially and adversely affected.

Political or social factors, including related litigation, may delay or impair our ability to market BioThrax and our biodefense product candidates and may require us to spend time and money to address these issues.

Products developed to treat diseases caused by or to combat the threat of bioterrorism are subject to changing political and social environments. The political and social responses to bioterrorism have been highly charged and unpredictable. We do not believe that the death of Osama bin Laden will have any actual effect on the risk of bioterrorism, but could result in a public perception that risk is reduced. Political or social pressures or changes in the perception of the risk that military personnel or civilians could be exposed to biological agents as weapons of bioterrorism may delay or cause resistance to bringing our products to market or limit pricing or purchases of our products, which would harm our business.

In addition, substantial delays or cancellations of purchases could result from protests or challenges from third parties. Furthermore, lawsuits brought against us by third parties or activists, even if not successful, require us to spend time and money defending the related litigation. The need to address political and social issues may divert our management's time and attention from other business concerns. For example, between 2001 and 2006, members of the military and various activist groups who oppose mandatory inoculation with BioThrax petitioned the FDA and the federal courts to revoke the license for BioThrax and to terminate the DoD program for the mandatory administration of BioThrax to military personnel. Although the DoD has prevailed in those challenges to date, the actions of these groups have created negative publicity about BioThrax. Additional lawsuits, publicity campaigns or other negative publicity may adversely affect the degree of market acceptance of, and thereby limit the demand for, BioThrax and our biodefense product candidates. In such event, our ability to market and sell such products may be hindered and the commercial success of BioThrax and other products we develop will be harmed, thereby reducing our revenues.

We have a small sales and marketing group. If we are unable to expand our internal capabilities or enter into agreements with third parties, we may be unable to generate revenue from product sales to customers other than the U.S. government.

To achieve commercial success for any approved product, we must either develop our own sales and marketing capabilities, enter into collaborations with third parties able to perform these services or outsource these functions to third parties.

We currently market and sell BioThrax through a small, targeted sales and marketing group. We plan to continue to do so and expect that we will use a similar approach for sales to the U.S. government of any other biodefense product candidates that we successfully develop.

In addition, we are a party to a collaboration agreement with Pfizer to develop and commercialize therapeutics directed to CD20 and to a collaboration agreement with Abbott to develop and commercialize therapeutics directed to CD37.

To increase our sales of BioThrax to state and local governments and foreign governments and create an infrastructure for future sales of other biodefense products to these customers, we plan to expand our sales and marketing organization. In addition, if we do not enter into collaborative agreements with respect to product candidates not covered by the Pfizer or Abbott collaborations, or if any of our product candidates are the subject of collaborative agreements with third parties that are not able to commercialize such product candidates, we may need to further expand our sales, marketing and distribution infrastructure to effectively commercialize these product candidates.

Our efforts to develop our sales, marketing and distribution infrastructure are subject to the following risks:

- § potential difficulties in recruiting, training and retaining adequate numbers of effective sales and marketing personnel;
- § the potential that the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities could be delayed, resulting in us incurring related expenses too early relative to the product launch and causing personnel retention issues;
- § our limited experience in the commercialization of pharmaceutical products other than BioThrax;
- § difficulties in establishing an effective distribution network, including entering into marketing and distribution agreements with third parties on acceptable terms;
- § the inability of sales personnel to obtain access to or persuade adequate numbers of potential government customers to purchase our products and physicians to prescribe our products;
- § the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- § unforeseen costs and expenses associated with creating a sales and marketing organization.

If we are not successful in our efforts to expand our sales and marketing capability, our ability to market and sell BioThrax and any other product candidates that we successfully develop will be impaired, which could negatively impact our business, financial condition and operating results.

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

The development and commercialization of new biopharmaceutical products is highly competitive and subject to rapid technological advances. We may face future competition with respect to BioThrax, our current product candidates and any products we may seek to develop or commercialize in the future from pharmaceutical companies and biotechnology companies worldwide. Potential competitors also include academic institutions, government agencies and other public and private research institutions 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 any products that we may develop. Our competitors may also obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours. They may also devote greater resources to market or sell their products, adapt more quickly to new technologies and scientific advances, initiate or withstand substantial price competition more successfully than we can, more effectively negotiate third-party licensing and collaborative arrangements and take advantage of acquisition or other opportunities more readily than we can. Any therapeutic product candidate that we successfully develop and commercialize is likely to compete with currently marketed products and with other product candidates that are in development for the same indications. In many cases, the currently marketed products have well-known brand names, are distributed by large pharmaceutical companies with substantial resources and have achieved widespread acceptance among physicians and patients. In particular, any new product candidate that competes with a generic market-leading product must demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to overcome severe price competition and be commercially successful.

We believe that our most significant competitors in the area of vaccine and therapeutics are a number of pharmaceutical companies that have vaccine programs, including Merck & Co., GlaxoSmithKline, Sanofi Pasteur, Pfizer, and Novartis, as well as smaller more focused companies engaged in vaccine and therapeutic development, such as Aeras, Crucell, Cangene, Human Genome Sciences, Soligenix, Dynport Vaccine Company, Elusys, Bavarian Nordic and PharmAthene. Specifically with respect to oncology and autoimmune disease, our competitors include Amgen, Pfizer, Takeda, Centocor Ortho Biotech, Merck, Mitsubishi Tanabe, Abbott, Eisai, Celgene, Bristol-Myers Squibb, UCB, Otsuka, Roche, Chugai, Genentech, Biogen Idec, Spectrum Pharmaceuticals, Inc., Bayer Schering AG, GSK, Genzyme, Cephalon Oncology, Genmab, Allos Therapeutics, AstraZeneca, Boehringer Ingleheim and ImmunoGen, Inc.

We face competition for our biodefense product candidates. Although BioThrax is the only anthrax vaccine approved by the FDA for the prevention of anthrax infection, the U.S. government is funding the development of new products that could compete with BioThrax and could eventually procure those new products in addition to, or instead of, BioThrax, potentially reducing our BioThrax revenues. For example, HHS has awarded a development and SNS procurement contract to a competitor for an anthrax immune globulin therapeutic and is assisting this company in its production efforts by providing it with BioThrax doses that we delivered for placement into the SNS so that the competitor can immunize donors and obtain plasma for the competitor's product candidate. HHS has awarded another development and SNS procurement contract to another competitor for an anthrax monoclonal antibody as a post-exposure therapeutic for anthrax infection.

Numerous companies have products or product candidates in development that would compete with the commercial product candidates for which we are seeking to obtain marketing approval. If approved for the treatment of RA, we anticipate that some of our commercial product candidates would compete with other marketed protein therapeutics for the treatment of RA, including: Enbrel ® (Amgen, Pfizer and Takeda), Remicade ® (Centocor Ortho Biotech, Merck and Mitsubishi Tanabe), Humira ® (Abbott and Eisai), Orencia ® (BMS), Cimzia ® (UCB and Otsuka), Simponi ® (JNJ and Merck), Actemra ® (Roche and Chugai) and Rituxan ® (Genentech, Roche and Biogen Idec). If approved for the treatment of systemic lupus erythematosus, or SLE, our product candidates will compete with Benlysta (Human Genome Sciences and GSK) and other B cell depleting therapies, including CD20-directed therapeutics.

If approved for the treatment of CLL, non-Hodgkin's lymphoma, or NHL, or other B cell malignancies, we anticipate that our product candidates would compete with other B cell depleting therapies and related therapeutics. Non-CD37- directed therapeutics marketed for the treatment of NHL or CLL, or both, include Rituxan ® (Genentech), Zevalin ® (Spectrum Pharmaceuticals, Inc. and Bayer Schering AG), Bexxar ® (GlaxoSmithKline), Campath® (Genzyme and Bayer Schering AG), Treanda ® (Cephalon Oncology) and Arzerra ® (GlaxoSmithKline and Genmab). In addition, Boehringer Ingelheim and ImmunoGen, Inc. are both developing antibody therapies directed to CD37.

If approved for the treatment of cutaneous T-cell lymphoma, or CTCL, and peripheral T-cell lymphoma, or PTCL, or other T-cell lymphomas, we anticipate that our product candidates would compete with other T-cell therapies and related therapeutics. Therapeutics marketed for the treatment of CTCL or PTCL include Ontak® and

Targretin® (Eisai), Istodax ® (Celgene), Zolinza ® (Merck), Folotin ® (Allos Therapeutics), Campath (Bayer Schering AG), and R788 (AstraZeneca). In addition, TaiMed Biologics, Biogen Idec, Roche, Adeona Pharmaceuticals, Bristol-Myers Squibb, Tolerx and Viral Genetics Inc. are developing therapies directed to CTCL or PTCL.

The Aeras Global Tuberculosis Vaccine Foundation is developing or supporting the development of five tuberculosis vaccine product candidates in addition to ours, any of which could present competitive risks.

If we are not able to compete effectively against our current and future competitors, our business may not grow, and our financial condition and operating results may suffer.

Legislation and contractual provisions limiting or restricting liability of manufacturers or providing for indemnification may not be adequate to protect us from all liabilities associated with the manufacture, sale and use of our products.

Provisions of our BioThrax contracts with the U.S. government and federal legislation enacted to protect manufacturers of biodefense and anti-terrorism countermeasures may limit our potential liability related to the manufacture, sale and use of BioThrax and our biodefense product candidates. However, these contractual provisions and legislation may not fully protect us from all related liabilities.

The Public Readiness and Emergency Preparedness Act, or PREP Act, which was signed into law in December 2005, creates immunity for manufacturers of biodefense countermeasures when the Secretary of HHS issues a declaration for their manufacture, administration or use. A PREP Act declaration is meant to provide immunity from all claims under state or federal law for loss arising out of the administration or use of a covered countermeasure. Manufacturers are not entitled to protection under the PREP Act in cases of willful misconduct. Upon a declaration by the Secretary of HHS, a compensation fund is created to provide “timely, uniform, and adequate compensation to eligible individuals for covered injuries directly caused by the administration or use of a covered countermeasure.” The “covered injuries” to which the program applies are defined as serious physical injuries or death. Individuals are permitted to bring a willful misconduct action against a manufacturer only after they have exhausted their remedies under the compensation program. Therefore, a willful misconduct action could be brought against us if any individuals exhausted their remedies under the compensation program and thereby expose us to liability. In October 2008, the Secretary of HHS issued a PREP Act declaration identifying BioThrax and Anthrivig as covered countermeasures.

In August 2006, the Department of Homeland Security approved our application under the Support Anti-Terrorism by Fostering Effective Technology Act, or SAFETY Act, enacted by the U.S. Congress in 2002 for liability protection for sales of BioThrax. The SAFETY Act creates product liability limitations for qualifying anti-terrorism technologies for claims arising from or related to an act of terrorism. In addition, the SAFETY Act provides a process by which an anti-terrorism technology may be certified as an “approved product” by the Department of Homeland Security and therefore entitled to a rebuttable presumption that the government contractor defense applies to sales of the product. The government contractor defense, under specified circumstances, extends the sovereign immunity of the U.S. to government contractors who manufacture a product for the government. Specifically, for the government contractor defense to apply, the government must approve reasonably precise specifications, the product must conform to those specifications and the supplier must warn the government about known dangers arising from the use of the product. Although we are entitled to the benefits of the SAFETY Act, it may not provide adequate protection from any claims made against us.

Under our prior BioThrax contracts with the DoD and HHS, the U.S. government agreed to indemnify us against claims by third parties for death, personal injury and other damages related to BioThrax, including reasonable litigation and settlement costs, to the extent that the claim or loss results from specified risks not covered by insurance or caused by our grossly negligent or criminal behavior. As required under our prior BioThrax contracts, we have notified the DoD of personal injury claims that have been filed against us as a result of the vaccination of U.S. military personnel with BioThrax and are seeking reimbursement from the DoD for uninsured costs incurred in defending these claims. The collection process can be lengthy and complicated, and there is no guarantee that we will be able to recover these amounts from the U.S. government.

In addition, although our prior contracts with the DoD and HHS provided that the U.S. government would indemnify us for any damages resulting from product liability claims, our current contracts with HHS do not contain such indemnification, and we may not be able to negotiate similar indemnification provisions in future contracts.

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

We face an inherent risk of product liability exposure related to the sale of BioThrax and any other products that we successfully develop and the testing of our product candidates in clinical trials. For example, we have been a defendant in lawsuits filed on behalf of military personnel who alleged that they were vaccinated with BioThrax by the DoD and claimed damages resulting from personal injuries allegedly suffered because of the vaccinations. The plaintiffs in these lawsuits claimed different injuries and sought varying amounts of damages. Although we successfully defended these lawsuits, we cannot ensure that we will be able to do so in the future.

If we cannot successfully defend ourselves against future claims that our product or product candidates caused injuries and if we are not entitled to indemnity by the U.S. government, or if the U.S. government does not honor its indemnification obligations, we may incur substantial liabilities. Regardless of merit or eventual outcome, product liability claims may result in:

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

We currently have product liability insurance for coverage up to a $15 million annual aggregate limit with a deductible of $75,000 per claim up to $375,000 in aggregate. The amount of insurance that we currently hold may not be adequate to cover all liabilities that may occur. Product liability insurance is difficult to obtain and 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 satisfy any liability that may arise. For example, from 2002 through February 2006, we were unable to obtain product liability insurance for sales of BioThrax on commercially reasonable terms. We do not believe that the amount of insurance we have been able to obtain for BioThrax is sufficient to manage the risk associated with the potential large scale deployment of BioThrax as a countermeasure to bioterrorism threats. We rely on statutory protections in addition to insurance to help mitigate our liability exposure for BioThrax.

A successful product liability claim or series of claims brought against us could cause our stock price to fall and could decrease our financial resources and materially and adversely affect our business.

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

Our revenues and profits from any products that we successfully develop, other than with respect to sales of our biodefense products under government contracts, will depend heavily upon the availability of adequate reimbursement for the use of such products from governmental and other third party payors, both in the U.S. and in other

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 a determination that a product is covered 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 coverage.

Even when a payor determines that a product is covered, the payor may impose limitations that preclude payment for some uses that are approved by the FDA or comparable authorities but are determined by the payor to not be medically reasonable and necessary. Moreover, eligibility for coverage does not imply that any product will be covered in all cases or that reimbursement will be available at a rate that permits the health care provider to cover its costs of using the product.

We expect that the success of some of our biosciences vaccine product candidates for which we obtain marketing approval will depend on inclusion of those product candidates in government immunization programs. Most non-pediatric commercial vaccines are purchased and paid for, or reimbursed by, managed care organizations, other private health plans or public insurers or paid for directly by patients. In the U.S., pediatric vaccines are funded by a variety of federal entitlements and grants, as well as state appropriations. Foreign governments also commonly fund pediatric vaccination programs through national health programs. In addition, with respect to some diseases affecting the public health generally, particularly in developing countries, public health authorities or non-governmental, charitable or philanthropic organizations fund the cost of vaccines.

Medicare Part B reimburses for physician-administered drugs and biologics based on the product's "average sales price." This reimbursement methodology went into effect in 2005 and has generally led to lower Medicare reimbursement levels than under the reimbursement methodology in effect prior to that time. The Medicare Part D outpatient prescription drug benefit went into effect in January 2006. Coverage under Medicare Part D is provided primarily through private entities, which act as plan sponsors and negotiate price concessions from pharmaceutical manufacturers.

Our future revenues and profitability will be adversely affected if third party payors do not sufficiently cover and reimburse the cost of future drug products we may market. If these entities do not provide coverage and reimbursement for our products, or if they provide an insufficient level of coverage and reimbursement, our products may be too costly for use, and physicians may not prescribe them or may prescribe them less frequently. In this manner, levels of reimbursement for drug products by government authorities, private health insurers and other organizations, such as Health Maintenance Organizations, may have a material adverse effect on our business, financial condition, cash flows and results of operations.

Legislative or regulatory reform of the healthcare system may affect our ability to sell our products profitably and increase competition.

In both the U.S. and in foreign jurisdictions, legislative and regulatory actions may reduce the revenues that we derive from our future products. In particular, in March 2010, Congress enacted sweeping legislation to reform the U.S. health care system. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act of 2010 contains a number of cost-containment measures that could adversely affect our operating results and our overall financial condition. For example, the legislation imposes an annual fee on branded prescription drug manufacturers, including biologics manufacturers, which will be allocated based on market share in the aggregate for certain government programs. In addition, the legislation creates a licensure pathway for biological products shown to be biosimilar to previously licensed biological reference products and will permit litigation of patent infringement cases between patent owners and biosimilar manufacturers prior to biosimilar market entry. The legislation also establishes a program to phase out the coverage gap under Medicare Part D by 2020 through a combination of manufacturer discounts and federal subsidies, increases the minimum Medicaid drug rebates for pharmaceutical companies and creates an Independent Payment Advisory Board to recommend changes in Medicare payment rates.

We expect the reforms imposed by the new law to have a significant impact on our business and the entire life sciences industry. Until many of the provisions are implemented, however, the full impact of the legislation cannot be known. Our results of operations could be adversely affected by current and potential future healthcare reforms.

Certain products we may develop may be eligible for reimbursement under Medicaid. If the state-specific Medicaid programs do not provide adequate coverage and reimbursement for any products we may develop, it may have a negative impact on our operations.

The scope of coverage and payment policies varies among third party private payors, including indemnity insurers, employer group health insurance programs and managed care plans. These third party carriers may base their coverage and reimbursement on the coverage and reimbursement rate paid by carriers for Medicaid beneficiaries. Furthermore, many such payors are investigating or implementing methods for reducing health care costs, such as the establishment of prospective payment systems. Cost containment pressures have led to an increased emphasis on the use of cost-effective products by health care providers. If third party payors do not provide adequate coverage or reimbursement for any products we may develop, it could have a negative effect on our revenues and results of operations.

Foreign governments tend to impose strict price controls, which may adversely affect our revenues.

In some foreign countries, particularly 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 product candidate to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be adversely affected.

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 any approved products and impair our ability to derive revenue from these products.

Legislation has been introduced into Congress that, if enacted, would permit more widespread re-importation of drugs from foreign countries into the U.S., which may include re-importation from foreign countries where the drugs are sold at lower prices than in the U.S. Such legislation, or similar regulatory changes, could decrease the price we receive for any approved products which, in turn, could adversely affect our operating results and our overall financial condition.

If we fail to attract and keep senior management and key scientific personnel, we may be unable to sustain or expand our BioThrax operations or develop or commercialize our product candidates.

Our success depends on our continued ability to attract, retain and motivate highly qualified managerial and key scientific personnel. We consider Fuad El-Hibri, chairman of our Board of Directors and our chief executive officer, and Daniel J. Abdun-Nabi, a member of our Board of Directors and our president and chief operating officer, to be key to our BioThrax operations and our efforts to develop and commercialize our product candidates. Both of these key employees are at will employees and can terminate their employment at any time. We do not maintain "key person" insurance on any of our employees.

In addition, our growth will require us to retain and hire a significant number of qualified technical and commercial personnel, including scientific, clinical development, manufacturing and process development, regulatory, marketing and sales executives and field sales personnel, as well as additional administrative personnel. Our ability to achieve our business strategies, including advancing drug candidates through later stage development or commercialization, depends on our ability to hire and retain high caliber scientists and other qualified personnel. There is intense competition from other companies and research and academic institutions for qualified personnel in the areas of our activities. If we cannot continue to attract and retain, on acceptable terms, the qualified personnel necessary for the continued development of our business, we may not be able to sustain our operations or grow.

Risks Related to Our Acquisition Strategy

If we fail to successfully manage any acquisitions, our ability to develop our product candidates and expand our product candidate pipeline may be harmed.

As part of our business strategy, we have obtained development stage product candidates and intend to continue to seek to obtain marketed products and development stage product candidates through acquisitions and licensing arrangements with third parties. The failure to adequately address the financial, operational or legal risks of these transactions could harm our business. Financial aspects of these transactions that could alter our financial position, reported operating results or stock price include:

- use of cash resources;
- higher than anticipated acquisition costs and expenses;
- potentially dilutive issuances of equity securities; and
- the incurrence of debt and contingent liabilities, impairment losses or restructuring charges.

We also may face significant challenges in effectively integrating entities and businesses that we acquire, and we may not realize the benefits anticipated from such acquisitions. Achieving the anticipated benefits of any acquired entities or businesses will depend in part upon whether we can integrate them in an efficient and effective manner. Operational risks that could harm our existing operations or prevent realization of anticipated benefits from these transactions include:

- challenges associated with managing an increasingly diversified business;
- prioritizing product portfolios;
- disruption of our pre-acquisition business;
- greater administrative burdens and operating costs;
- difficulty and expense in assimilating and integrating the operations, products, technology, information systems, culture or personnel of the acquired entities or businesses;
- potential loss of key collaborators;
- entering markets in which we have limited or no direct experience;
- diversion of management's time and attention from other business concerns;
- difficulty in implementing uniform standards, controls, procedures and policies;
- the assumption of known and unknown liabilities of the acquired entities or businesses, including intellectual property claims;
- increased exposure to uncertainties inherent in developing and commercializing new products;
- impairment of acquired intangible assets as a result of technological advances or worse-than-expected clinical results or performance of the acquired company or the partnered assets;
- challenges and costs associated with reductions in work force; and
- potential loss of key personnel.

If we are unable to successfully integrate acquired entities and businesses, our ability to develop new products and continue to expand our product pipeline may be limited and we may experience material adverse consequences to our business, financial condition or results of operations.

Our strategy of generating growth through acquisitions may not be successful.

Since our inception we have pursued a strategy of growing our business through licensing and acquisition. We commenced operations in September 1998 through an acquisition of rights to BioThrax, vaccine manufacturing facilities at a multi-building campus on approximately 12.5 acres in Lansing, Michigan and vaccine development and production know-how, all from the Michigan Biologic Products Institute. We acquired a portion of our pipeline of vaccine and therapeutic product candidates through our acquisition of Microscience Limited in a share exchange in 2005, our acquisition of substantially all of the assets, for cash, of ViVacs GmbH in 2006, our acquisition of Trubion in October 2010 and our acquisition of certain assets of TenX BioPharma, Inc. in May 2011.

In the future, we may be unable to license or acquire suitable products or product candidates from third parties for a number of reasons. In particular, 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 vaccine and therapeutic field. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, we expect competition for acquisition candidates in the vaccine and therapeutic field to increase, which may result in fewer suitable acquisition opportunities for us as well as higher acquisition prices. Other factors that may prevent us from licensing or otherwise acquiring suitable products and product candidates include the following:

- we may be unable to license or acquire the relevant technology on terms that would allow us to make an appropriate return on the investment;
- companies that perceive us to be their competitor may be unwilling to assign or license their product rights to us; or
- we may be unable to identify suitable products or product candidates within our areas of expertise.

Acquisition efforts can consume significant management attention and require substantial expenditures, which could detract from our other programs. In addition, we may devote resources to potential acquisitions that are never completed. If we are unable to successfully obtain rights to suitable products and product candidates and manage the risks and costs of pursuing an acquisition strategy, our business, financial condition and prospects for growth could suffer.

We may fail to manage our growth and increased breadth of our activities effectively.

We have expanded the scope of our business in recent years. We have acquired several drug candidates and have been advancing pre-clinical and multiple clinical stage product candidates. We also have grown our employee base substantially. We plan to continue adding products and product candidates through internal development, in-licensing and acquisition over the next several years and to continue developing our existing product candidates that demonstrate the requisite efficacy and safety to advance into and through clinical trials. To manage the existing and planned future growth and the increasing breadth and complexity of our activities, we will need to continue building our organization and making significant additional investments in personnel, infrastructure, information management systems and resources. Our ability to develop and advance the commercialization of our products and product candidates, achieve our research and development objectives, add and integrate new products, and satisfy our commitments under our collaboration and acquisition agreements depends on our ability to respond effectively to these demands and expand our internal organization and infrastructure to accommodate additional anticipated growth. If we are unable to effectively manage and advance these activities, our ability to maximize the value of one or more of our product candidates could suffer, which could materially and adversely affect our business.

Additional Risks Related to Sales of Biodefense Products to the U.S. Government

Our business is subject to audit by the U.S. government and a negative audit could adversely affect our business.

U.S. government agencies such as the Defense Contract Audit Agency, or the DCAA, routinely audit and investigate government contractors. These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards.

The DCAA also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while such costs already reimbursed must be refunded. If an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including:

- § termination of contracts;
- § forfeiture of profits;
- § suspension of payments;
- § fines; and
- § suspension or prohibition from conducting business with the U.S. government.

In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

Laws and regulations affecting government contracts make it more costly and difficult for us to successfully conduct our business.

We must comply with numerous laws and regulations, including those relating to the formation, administration and performance of government contracts, which can make it more difficult for us to retain our rights under these contracts. These laws and regulations affect how we conduct business with federal, state and local government agencies. Among the most significant government contracting regulations that affect our business are:

- § the Federal Acquisition Regulations, and agency-specific regulations supplemental to the Federal Acquisition Regulations, which comprehensively regulate the procurement, formation, administration and performance of government contracts;
- § the business ethics and public integrity obligations, which govern conflicts of interest and the hiring of former government employees, restrict the granting of gratuities and funding of lobbying activities and incorporate other requirements such as the Anti-Kickback Act and the FCPA;
- § export and import control laws and regulations; and
- § laws, regulations and executive orders restricting the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

In addition, *qui tam* lawsuits have been brought against us in which the plaintiffs argued that we defrauded the U.S. government by distributing non-compliant doses of BioThrax. Although we ultimately prevailed in this litigation, we spent significant time and money defending the litigation. U.S. States, many municipalities and foreign governments typically also have laws and regulations governing contracts with their respective agencies. These domestic and foreign laws and regulations affect how we and our customers conduct business and, in some instances, impose additional costs on our business. Any changes in applicable laws and regulations could restrict our ability to maintain our existing contracts and obtain new contracts, which could limit our ability to conduct our business and materially and adversely affect our revenues and results of operations.

We rely on property and equipment owned by the U.S. government in the manufacturing process for BioThrax.

We have the right to use certain property and equipment that is owned by the U.S. government, referred to as government furnished equipment, or GFE, at our Lansing, Michigan site in the manufacture of BioThrax. We have the option to purchase all or part of the existing GFE from the U.S. government on terms to be negotiated with the U.S. government. If the U.S. government modifies the terms under which we use the GFE in a manner that is unfavorable to us or we are unable to reach an agreement with the U.S. government concerning the terms of the purchase of that part of the GFE necessary for our business, our business could be harmed. If the U.S. government were to terminate or fail to extend all BioThrax supply contracts with us, we potentially could be required to rent or purchase that part of the GFE necessary for the continued production of BioThrax in our current manufacturing facility.

Risks Related to Regulatory Approvals

If we and our collaborative partners 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 comparable authorities in other countries. Failure to obtain regulatory approval for a product candidate will prevent us and our collaborators from commercializing the product candidate. We have limited experience in preparing, filing and prosecuting the applications necessary to gain regulatory approvals and expect to rely on third party contract research organizations and consultants to assist us in this process.

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 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 significant side effects, toxicities or other characteristics that may preclude our obtaining regulatory approval or prevent or limit commercial use.

In the United States, BioThrax and our product candidates are regulated by the FDA as biologics. To obtain approval from the FDA to market our product candidates, we will be required to submit a biologics license application, or BLA, to the FDA. Ordinarily, the FDA requires a sponsor to support a BLA with substantial evidence of the product's safety and effectiveness in treating the targeted indication based on data derived from adequate and well-controlled clinical trials, including Phase III safety and efficacy trials conducted in patients with the disease or condition being targeted. For example, this will be the case with respect to any BLA that we may file in the future with respect to our oncology and auto-immune disease product candidates. However, our biodefense product candidates require slightly different treatment. Specifically, because humans are rarely exposed to anthrax toxins under natural conditions, and cannot be intentionally exposed, statistically significant effectiveness of our biodefense product candidates cannot be demonstrated in humans, but instead must be demonstrated, in part, by utilizing animal models before they can be approved for marketing. This is known as the FDA's "animal rule".

We intend to use the animal rule in pursuit of FDA approval for BioThrax as a post-exposure prophylaxis, Anthrivig, PreviThrax, Thravixa, and NuThrax. We cannot guarantee that the FDA will permit us to proceed with licensure of any of our BioThrax related programs or our other product candidates under the animal rule. Even if we are able to proceed pursuant to the animal rule, the FDA may decide that our data are insufficient for approval and require additional preclinical, clinical or other studies, refuse to approve our products, or place restrictions on our ability to commercialize those products.

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 the regulatory review for a 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.

Our products could be subject to restrictions or withdrawal from the market and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.

Any vaccine and therapeutic 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. As an approved product, BioThrax is subject to these requirements and ongoing review.

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 and recordkeeping. The FDA enforces its cGMP and other requirements through periodic unannounced inspections of manufacturing facilities. The FDA is authorized to inspect manufacturing facilities without a warrant or prior notice at reasonable times and in a reasonable manner.

The FDA conducted routine, biannual inspections of our Lansing facilities in September 2002, May 2004, May 2006, March 2008 and December 2009. Following each of these inspections, the FDA issued inspectional observations on Form FDA 483, some of which were significant. We responded to the FDA regarding the inspectional observations relating to each inspection and, where necessary, implemented corrective action. All observations from each of those inspections have been successfully closed out. In December 2005, the FDA stated in its final order on BioThrax that at that time we were in substantial compliance with all regulatory requirements related to the manufacture of BioThrax and that the FDA would continue to evaluate the production of BioThrax to assure compliance with federal standards and regulations. If in connection with any future inspection the FDA finds that we are not in substantial compliance with cGMP requirements, or if the FDA is not satisfied with the corrective actions we take in connection with any such inspection, the FDA may undertake enforcement action against us.

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. Later discovery of previously unknown problems with our products or manufacturing processes, or failure to comply with regulatory requirements, may result in:

- § restrictions on the marketing or manufacturing of a product;
- § warning letters;
- § withdrawal of the product from the market;
- § refusal to approve pending applications or supplements to approved applications;
- § voluntary or mandatory product recall;
- § fines or disgorgement of profits or revenue;
- § suspension or withdrawal of regulatory approvals, including license revocation;
- § shut down, or substantial limitations of the operations in, manufacturing facilities;
- § refusal to permit the import or export of products;
- § product seizure; and
- § injunctions or the imposition of civil or criminal penalties.

If we experience any of these post-approval events, our business, financial condition and operating results could be materially and adversely affected.

If our competitors are able to obtain orphan drug exclusivity for any products that are competitive with our products, we may be precluded from selling or obtaining approval of our competing products by the applicable regulatory authorities for a significant period of time.

If one of our competitors obtains orphan drug exclusivity for an indication for a product that competes with one of the indications for one of our product candidates before we obtain orphan drug designation, and if the competitor's product is the same drug as ours, the FDA would be prohibited from approving our product candidate for the same orphan indication unless we demonstrate that our product is clinically superior or the FDA determines that the holder of the orphan drug exclusivity cannot assure the availability of sufficient quantities of the drug. We have obtained orphan drug status from the FDA for Thravixa, from the FDA and in the European Union for Anthrivig and in the European Union for our tuberculosis vaccine product candidate; however, none of our other products or product candidates have been designated as an orphan drug and there is no guarantee that the FDA will grant such designation in the future. Even if we obtain orphan drug exclusivity for one or more indications for one of our product candidates, we may not be able to maintain it. For example, if a competitive product that is the same drug or biologic as our product is shown to be clinically superior to our product, any orphan drug exclusivity we may have obtained will not block the approval of that competitive product.

The Fast Track designation for our product candidates may not actually lead to a faster development, regulatory review or approval.

We have obtained a Fast Track designation from the FDA for BioThrax as a post-exposure prophylaxis against anthrax infection and for Anthrivig and Thravixa. However, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may withdraw a Fast Track designation if the FDA believes that the designation is no longer supported by data from our clinical development program. Fast Track designation does not guarantee that we will qualify for or be able to take advantage of the FDA's expedited review procedures or that any application that we may submit to the FDA for regulatory approval will be accepted for filing or ultimately approved.

Failure to obtain regulatory approval in international jurisdictions could prevent us from marketing our products abroad.

We intend to have some or all of our products marketed outside the United States. To market our products in the European Union and many other foreign jurisdictions, we may need to obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. With respect to some of our product candidates, we expect that a future collaborator will have responsibility to obtain regulatory approvals outside the United States, and we will depend on our collaborators to obtain these approvals. The approval procedure varies among countries and can involve additional testing and data review. 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, or may include different or additional risks. 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. However, a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in another jurisdiction, including approval by the FDA. For example, in 2010 the United Kingdom Medicines and Healthcare products Regulatory Authority, or MHRA, informed us that a provision of the European Pharmacopoeia may prevent licensure of our Tuberculosis vaccine product candidate in the European Union unless such provision can be interpreted in a manner consistent with our product candidate's manufacturing process, despite the fact that the FDA had provided recent guidance to the contrary. We are continuing to work with the MHRA and outside advisors to clarify the provision but we cannot be certain that our efforts will be successful, which could preclude our ability to commercialize this product candidate in the European Union. We and our collaborators may not be able to obtain regulatory approvals to commercialize our products in any market. The failure to obtain regulatory approval in foreign jurisdictions could materially harm our business.

Risks Related to Our Dependence on Third Parties

We may not be successful in maintaining and establishing collaborations, which could adversely affect our ability to develop and commercialize our product candidates domestically and internationally.

For each of our product candidates, we plan to evaluate the merits of retaining commercialization rights or entering into collaboration arrangements with leading pharmaceutical or biotechnology companies or non-governmental organizations. We expect that we will selectively pursue collaboration arrangements in situations in which the collaborator has particular expertise or resources for the development or commercialization of our products and product candidates or for accessing particular markets.

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

Any collaboration that we enter into may not be successful. For example, in June 2010 Pfizer decided to discontinue development of TRU-015 based on preliminary results from a Phase II study. Even though these results were consistent with previous studies and similar to other B-call-depleting therapies, they did not meet the internally predefined endpoint of the study. Additionally, the success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborators. It is likely that our collaborators will have significant discretion in determining the efforts and resources that they will apply to these collaborations.

The risks that we are subject to in our current collaborations, and anticipate being subject to in future collaborations, include the following:

- we may not be able to control the amount and timing of resources that our collaborators devote to the development or commercialization of product candidates;
- our collaborators may delay clinical trials, design clinical trials in a manner with which we do not agree, provide insufficient funding, terminate a clinical trial or abandon a product candidate, repeat or conduct new clinical trials, or require a new version of a product candidate for clinical testing;
- our collaboration agreements are likely to be for fixed terms and subject to termination by our collaborators in the event of a material breach by us;
- our collaborators may have the first right to maintain or defend our intellectual property rights and, although we may have the right to assume the maintenance and defense of our intellectual property rights if our collaborators do not do so, our ability to maintain and defend our intellectual property rights may be compromised by our collaborators' acts or omissions;
- our collaborators may utilize our intellectual property rights in such a way as to invite litigation that could jeopardize or invalidate our intellectual property rights or expose us to potential liability;
- our collaborators may decide not to pursue further development and commercialization of products and product candidates resulting from the collaboration, or may elect to discontinue research and development programs, which could delay development and increase the cost of developing our product candidates;
- our collaborators may not commit adequate resources to the marketing and distribution of any future products, limiting our potential revenues from these products;
- we may experience difficulties in the day-to-day activities required by collaboration including close and frequent communications between several different teams, technology transfer and a collaborative sharing of responsibilities;
- disputes may arise between us and our collaborators that result in the delay or termination of the research, development or commercialization of our product candidates or that result in costly litigation or arbitration that diverts management's attention and consumes resources;
- our collaborators may experience financial difficulties;
- business combinations or significant changes in a collaborator's business strategy may adversely affect a collaborator's willingness or ability to complete its obligations; and
- our collaborators could independently move forward with a competing product candidate developed either independently or in collaboration with others, including our competitors.

Any of these potential outcomes could harm our business reputation and adversely affect us financially including by resulting in lower than expected revenues, delaying development, leading to a loss of market opportunities or impairing the value of the related product candidate.

If third parties on whom we rely for clinical or non-clinical trials do not perform as contractually required or as we expect, we may not be able to obtain regulatory approval for or commercialize our product candidates and as a result, our business may suffer.

We do not have the ability to independently conduct the clinical or non-clinical trials required to obtain regulatory approval for our products. We depend on third parties, such as independent clinical investigators, contract research organizations and other third party service providers, to conduct the clinical and non-clinical trials of our product candidates and expect to continue to do so. We rely heavily on these third parties for successful execution of our clinical and non-clinical trials, but do not exercise day-to-day control over their activities. 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. Moreover, the FDA requires us to comply with standards, commonly referred to as Good Clinical Practices, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected.

Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. Third parties may not complete activities on schedule, or may not conduct our clinical trials in accordance with regulatory requirements or our stated protocols. We may experience unexpected cost increases that are beyond our control. Problems with the timeliness or quality of the work of a contract research organization may lead us to seek to terminate the relationship and use an alternative service provider. However, making this change may be costly and may delay our trials, and contractual restrictions may make such a change difficult. If we must replace any contract research organization, our trials may have to be suspended until we find another contract research organization that offers comparable services. The time that it takes us to find alternative organizations may cause delay in the commercialization of our product candidates or may cause us to incur significant expenses to replicate data that may be lost. Although we do not believe that the contract research organizations on which we rely offer services that are not available elsewhere, it may be difficult to find a replacement organization that can conduct our trials in an acceptable manner and at an acceptable cost. Any delay in or inability to complete our clinical trials could significantly compromise our ability to secure regulatory approval of the relevant product candidate and preclude our ability to commercialize the product, thereby limiting our ability to generate revenue from the sales of product candidates, which may result in a decrease in our stock price. The failure of these third parties to carry out their obligations could delay or prevent the development, approval and commercialization of our product candidates.

In addition, in certain cases, we encourage government entities and non-government organizations to conduct studies of, and pursue other development efforts for, our product candidates. For example, we expect to rely on data from clinical trials conducted by third parties seeking marketing approval for certain of our product candidates, including our BLA supplement for a label expansion of BioThrax for a regimen of fewer doses is based on the results of a clinical trial conducted by the CDC. These government entities and non-government organizations have no obligation or commitment to us to conduct or complete any of these studies or clinical trials and may choose to discontinue these development efforts at any time. In addition, government entities depend on annual Congressional appropriations to fund these development efforts.

We face potential liability related to the privacy of health information we obtain from research institutions.

Most health care providers, including research institutions from which we or our collaborators obtain patient information, are subject to privacy regulations promulgated under the Health Insurance Portability and Accountability Act, or HIPAA. Our clinical research efforts are not directly regulated by HIPAA. However, conduct by a person that may not be prosecuted directly under HIPAA's criminal provisions could potentially be prosecuted under aiding and abetting or conspiracy laws. Consequently, depending on the facts and circumstances, we could face substantial criminal penalties if we receive individually identifiable health information from a health care provider or research institution that has not satisfied HIPAA's disclosure standards. In addition, international data protection laws including the European Union Data Protection Directive and member state implementing legislation may apply to some or all of the clinical data obtained outside of the U.S. Furthermore, certain privacy laws and genetic

testing laws may apply directly to our operations and/or those of our collaborators and may impose restrictions on our use and dissemination of individuals' health information.

Moreover, patients about whom we or our collaborators obtain information, as well as the providers who share this information with us, may have contractual rights that limit our ability to use and disclose the information. Claims that we have violated individuals' privacy rights or breached our contractual obligations, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

Risks Related to Our Intellectual Property

Protection of our intellectual property rights could be costly, and if we fail to protect them, our business could be harmed.

Our success, particularly with respect to our biosciences business, will depend in large part on our ability to obtain and maintain protection in the U.S. and other countries for the intellectual property covering or incorporated into our technology, products and product candidates, including those which are the subject of collaborations. This protection is very costly. The patentability of technology in the field of vaccine and therapeutic development and other pharmaceuticals generally is highly uncertain and involves complex legal and scientific questions.

We may not be able to obtain additional issued patents relating to our technology or products. Even if issued, patents may be challenged, narrowed, invalidated or circumvented, which could limit our ability to stop competitors from marketing similar products or limit the duration of patent protection we may have for our products. Changes in patent laws or administrative patent office rules or changes in interpretations of patent laws in the U.S. and other countries may diminish the value of our intellectual property or narrow the scope of our patent protection, or result in costly defense measures.

Our patents also may not afford us protection against competitors with similar technology. Because patent applications in the U.S. 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 licensors 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. In addition, we know that other entities have filed patent applications in various jurisdictions that relate to several areas in which we are developing products. Some of these patent applications have already resulted in patents and some are still pending. If use of technology incorporated into or used to produce our product candidates is challenged, or if our processes or product candidates conflict with patent rights of others, third parties could bring legal actions against us in Europe, the U.S. and elsewhere claiming damages and seeking to enjoin manufacturing and marketing of the affected products. Further, patents generally expire, regardless of their date of issue, 20 years from the earliest claimed non-provisional filing date. As a result, the time required to obtain regulatory approval for a product candidate may consume part or all of the patent term. We are not able to accurately predict the remaining length of the applicable patent term following regulatory approval of any of our product candidates.

Should third parties file patent applications or obtain patents claiming technology also claimed by us in pending applications, we may be required to participate in interference proceedings in the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial costs to us and an adverse decision as to the priority of our inventions. An unfavorable outcome in an interference proceeding could require us to cease using the technology or to license rights from prevailing third parties. We cannot assure you that any prevailing party would offer us a license or that we could acquire any license made available to us on commercially acceptable terms.

The cost of litigation to uphold the validity of patents to prevent infringement or to otherwise protect our proprietary rights could be substantial. Some of our competitors may be better able to sustain the costs of complex patent litigation because they may have substantially greater resources. Intellectual property lawsuits are expensive and unpredictable and would consume time and other resources, even if the outcome were successful. In addition, there is a risk that a court would decide that our patents are not valid and that we do not have the right to stop the other party from using the inventions. There is also a risk that, even if the validity of a patent were upheld, a court would refuse to stop the other party from using the invention(s), including on the grounds that its activities do not infringe the patent. If any of these events were to occur, our business, financial condition and operating results could be materially adversely affected.

Our collaborators and licensors may not adequately protect our intellectual property rights. These third parties may have the first right to maintain or defend our intellectual property rights and, although we may have the right to assume the maintenance and defense of our intellectual property rights if these third parties do not do so, our ability to maintain and defend our intellectual property rights may be compromised by the acts or omissions of these third parties. For example, we licensed an oligonucleotide adjuvant, CpG 7909, for use in our double mutant recombinant protective antigen product candidate and NuThrax from Coley Pharmaceutical Group, Inc., or Coley. Coley, which was subsequently acquired by Pfizer is responsible for prosecuting, maintaining and defending these licensed patent rights. Coley notified us that a patent interference had been declared in the U.S. Patent and Trademark Office between our licensed patent and a third party patent application, which could result in revocation of the patent we have licensed. We may not know the outcome for a considerable period of time.

We also will rely on current and future trademarks to establish and maintain recognized brands. If we fail to acquire and protect such trademarks, our ability to market and sell our products, and therefore our business, financial condition and operating results, could be materially and adversely affected.

If we are unable to in-license any intellectual property necessary to develop, manufacture or sell any of our product candidates, we will not be successful in developing or commercializing such product candidate.

We expect that we may need to in-license various components or technologies, including, for example, adjuvants and novel delivery systems, for some of our current or future product candidates. We may be unable to obtain the necessary licenses on acceptable terms, or at all. If we are unable to obtain such licenses, we could be prevented or delayed from continuing further development or from commercially launching the applicable product candidate. If we or our collaborators must obtain licenses from third parties, fees must be paid for such licenses, which would reduce the revenues and royalties we may receive on commercialized products.

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

We are a party to a number of license agreements and expect to enter into additional license agreements in the future. For example, we consider our license from the Oxford-Emergent Tuberculosis Consortium for our tuberculosis vaccine product candidate to be material to our business. Our existing licenses impose, and we expect future licenses will impose, various diligence, milestone payment, royalty, insurance and other obligations on us. If we fail to comply with these obligations, the licensor may have the right to terminate the license, in which event we might not be able to market any product that is covered by the licensed patents.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.

In addition to patented technology, we rely upon unpatented proprietary technology, processes and know-how, particularly as to our proprietary manufacturing processes. Because we do not have patent protection for BioThrax or the label expansions and improvements that we are pursuing for BioThrax, our only intellectual property protection for BioThrax, other than the BioThrax trademark, is confidentiality regarding our manufacturing capability and specialty know-how, such as techniques, processes and biological starting materials. However, these types of trade secrets can be difficult to protect. We seek to protect this confidential information, in part, with agreements with our employees, consultants and third parties.

These agreements may be breached, and we 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 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 adversely impact our business.

If we infringe or are alleged to infringe intellectual property rights of third parties, it may adversely affect our business.

Our development and commercialization activities, as well as any product candidates or products resulting from these activities, may infringe or be claimed to infringe patents and other intellectual property rights of third parties under which we do not hold licenses or other rights. Additionally, third parties may be successful in obtaining patent protection for technologies that cover development and commercialization activities in which we are already engaged. Third parties may own or control these patents and intellectual property rights in the U.S. and abroad. These third parties could bring claims against us or our collaborators that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement or other similar suit were brought against us or our collaborators, we or they could be forced to stop or delay development, manufacturing or sales of the product or product candidate that is the subject of the suit.

As a result of patent infringement or other similar claims, or to avoid potential claims, we or our collaborators may choose or be required to seek a license from the 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 our collaborators were able to obtain a license, the rights may be non-exclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing 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 our collaborators are unable to enter into licenses on acceptable terms or if an injunction is granted against us, which could harm our business significantly.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the biotechnology and pharmaceutical industries. For example, modified vaccinia Ankara, or MVA,-based vaccines have been the subject of significant intellectual property litigation. Specifically, Bavarian Nordic sued Acambis for patent infringement and other claims arising out of Acambis' importation of an MVA-based smallpox vaccine for biodefense use by the U.S. government. Bavarian Nordic claimed that its patents broadly covered the manufacture of MVA-based biological products and that Bavarian Nordic had rights in the biological materials used by Acambis. That litigation was terminated in July 2007 by a settlement and consent order. Bavarian Nordic subsequently sued Oxford BioMedica PLC, Oxford BioMedica Ltd. and Biomedica Inc., collectively Oxford BioMedica, alleging that Oxford BioMedica has infringed certain Bavarian Nordic U.S. patents by making, using and importing, and inducing others to use Oxford BioMedica's experimental drug TroVax®, which is an MVA-based therapeutic cancer vaccine. The lawsuit was settled in January 2010 by agreement between the parties. We are also involved in several patent oppositions filed in the European Patent Office against certain of Bavarian Nordic's patents covering certain aspects of MVA technology. In each of the opposition proceedings, the subject patents have also been opposed by one or more additional parties, including Sanofi Pasteur, Transgene, Baxter, Virbac, and Innogenetics.

The strain of MVA that we use in our platform technology is a distinct lineage from the strains used by Acambis and Oxford BioMedica; however, we cannot be certain that we will not become the target of an infringement action. We also cannot be certain that the oppositions pending in the European Patent Office will be resolved in our favor. If we are sued for infringement, we could incur expensive legal costs, development delays or other costs and delays that could harm our business.

Risks Related to Our Common Stock

Fuad El-Hibri, chief executive officer and chairman of our Board of Directors, has significant influence over us, including through his ability to control the election of the members of our Board of Directors, and could delay or prevent a change of control.

Mr. El-Hibri has the ability to control the election of the members of our Board of Directors through his ownership interests in our significant stockholders. As of July 29, 2011, Mr. El-Hibri was the beneficial owner of approximately 28% of our outstanding common stock. Because Mr. El-Hibri has significant influence over the election of the members of our board, and because of his substantial control of our capital stock, Mr. El-Hibri will likely have the ability to delay or prevent a change of control of us that may be favored by other directors or stockholders and otherwise exercise substantial control over all corporate actions requiring board or stockholder approval, including any amendment of our certificate of incorporation or by-laws. The control by Mr. El-Hibri may prevent other stockholders from influencing significant corporate decisions and may result in conflicts of interest that could cause our stock price to decline.

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.

Provisions of our certificate of incorporation and by-laws may discourage, delay or prevent a merger, acquisition or other changes in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management.

These provisions include:

- the classification of our directors;
- limitations on changing the number of directors then in office;
- limitations on the removal of directors;
- limitations on filling vacancies on the board;
- limitations on the removal and appointment of the chairman of our Board of Directors;
- advance notice requirements for stockholder nominations for election of directors and other proposals;
- the inability of stockholders to act by written consent;
- the inability of stockholders to call special meetings; and
- the ability of our Board of Directors to designate the terms of and issue new series of preferred stock without stockholder approval.

The affirmative vote of holders of our capital stock representing at least 75% of the voting power of all outstanding stock entitled to vote is required to amend or repeal the above provisions of our certificate of incorporation. The affirmative vote of either a majority of the directors present at a meeting of our Board of Directors or holders of our capital stock representing at least 75% of the voting power of all outstanding stock entitled to vote is required to amend or repeal our by-laws.

In addition, Section 203 of the General Corporation Law of Delaware prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns or within the last three years has owned 15% or more of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Section 203 may discourage, delay or prevent a change in control of us.

Our stockholder rights plan could prevent a change in control of us in instances in which some stockholders may believe a change in control is in their best interests.

Under a rights agreement that establishes our stockholder rights plan, we issue to each of our stockholders one preferred stock purchase right for each outstanding share of our common stock. Each right, when exercisable, will entitle its holder to purchase from us a unit consisting of one one-thousandth of a share of series A junior participating preferred stock at a purchase price of $150 in cash, subject to adjustments.

Our stockholder rights plan is intended to protect stockholders in the event of an unfair or coercive offer to acquire us and to provide our Board of Directors with adequate time to evaluate unsolicited offers. The rights plan may have anti-takeover effects. The rights plan will cause substantial dilution to a person or group that attempts

to acquire us on terms that our Board of Directors does not believe are in our best interests and those of our stockholders and may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares.

Our stock price is volatile and purchasers of our common stock could incur substantial losses.

Our stock price has been, and is likely to continue to be, volatile. From November 15, 2006, when our common stock first began trading on the New York Stock Exchange, through July 29, 2011 our common stock has traded as high as $27.00 per share and as low as $4.40 per share. The stock market in general and the market for biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price of our common stock may be influenced by many factors, including:

- § the success of competitive products or technologies;
- § results of clinical trials of our product candidates or those of our competitors and success in our research and development programs;
- § decisions and procurement policies by the U.S. government affecting BioThrax and our biodefense product candidates;
- § regulatory developments in the U.S. and foreign countries;
- § public concern as to the safety of drugs developed by us or others;
- § announcements of issuances of common stock or acquisitions by us;
- § the announcement and timing of new product introductions by us or others;
- § termination or delay of development program(s) by our collaborative partners, or delay in achievement of collaboration milestones;
- § announcements of technological innovations or new therapeutic products or methods by us or others;
- § acts or omissions of our licensees, collaborators and suppliers;
- § developments or disputes concerning patents or other proprietary rights;
- § the recruitment or departure of key personnel;
- § variations in our financial results or those of companies that are perceived to be similar to us;
- § market conditions in the pharmaceutical and biotechnology sectors and issuance of new or changed securities analysts' reports or recommendations;
- § general economic, industry and market conditions or other external factors, such as disaster or crisis; and
- § the other factors described in this "Risk Factors" section.

In the past, securities class action litigation often has been instituted following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in potential liabilities, substantial costs and the diversion of management's attention and resources, regardless of whether we win or lose.

We do not anticipate paying any cash dividends in the foreseeable future.

We currently intend to retain our future earnings, if any, to fund the development and growth of our business. Our current and any future debt agreements that we enter into may limit our ability to pay dividends. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders for the foreseeable future.

A significant portion of our shares may be sold into the market at any time. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales or the perception in the market that the holders of a large number of shares intend to sell shares could reduce the market price of our common stock. For example, we have filed a registration statement that would permit us to issue up to $100 million in common stock. Moreover, holders of an aggregate of approximately 8.8 million shares of our common stock outstanding as of July 29, 2011 have the right to require us to register these shares of common stock under specified circumstances.

ITEM 2. ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

Recent Sales of Unregistered Securities

Not applicable.

Use of Proceeds

Not applicable.

Purchases of Equity Securities

Not applicable.

ITEM 3. ***DEFAULTS UPON SENIOR SECURITIES***

Not applicable.

ITEM 4. ***REMOVED AND RESERVED***

ITEM 5. ***OTHER INFORMATION***

As previously reported on a Form 8-K filed on May 23, 2011, at our 2011 annual meeting of stockholders, our stockholders recommended that the frequency of future advisory votes on executive compensation be held every year. After taking into consideration these voting results, our Board of Directors intends to hold future advisory votes on executive compensation every year.

ITEM 6. ***EXHIBITS***

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index immediately preceding the exhibits hereto.

SIGNATURES

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

EMERGENT BIOSOLUTIONS INC.
By: /s/ Fuad El-Hibri
Fuad El-Hibri
Chief Executive Officer and
Chairman of the Board of Directors
(Principal Executive Officer)

Date: August 5, 2011

By: /s/ R. Don Elsey
R. Don Elsey
Sr. Vice President Finance, Chief Financial
Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: August 5, 2011

EXHIBIT INDEX

Exhibit Number	Description
10.1#†	Modification No. 12 to Contract No. 200-2009-30162, dated May 2, 2011, between Emergent BioDefense Operations Lansing LLC, formerly known as Emergent BioDefense Operations Lansing Inc., and the Centers for Disease Control and Prevention
10.2#†	Amendment No .3 to Collaboration and License Agreement, dated May 26, 2011, between Emergent Product Development Seattle, LLC and Pfizer Inc.
10.3#†	Amended and Restated License and Commercialization Agreement, dated December 22, 2009, between TenX BioPharma, Inc. and Genmab A/S
10.4#	Consulting Services Agreement, effective April 1, 2011, between the Registrant and The Hauer Group
10.5#	Modification No. 9 to Contract No. HHSO100200700037C, dated June 1, 2011, between Emergent BioDefense Operations Lansing LLC, formerly known as Emergent BioDefense Operations Lansing Inc., and the Department of Health and Human Services
10.6#	Agreement for Surrender, dated May 17, 2011, between Emergent Product Development UK Ltd. and Segro (Winnersh) Limited
10.7#	Deed of Variation, dated May 17, 2011, between Emergent Product Development UK Ltd. and Segro (Winnersh) Limited
10.8#	Deed of Surrender, dated May 17, 2011, between Segro (Winnersh) Limited, Emergent Product Development UK Ltd. and Emergent BioSolutions Inc.
10.9#	Deed of Surrender, dated May 17, 2011, between Emergent Product Development UK Ltd. and Segro (Winnersh) Limited
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101. INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linksbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

(i) Condensed Consolidated Statements of Income for the three and six months ended June 30, 2011 and June 30, 2010, (ii) Condensed Consolidated Balance Sheets at June 30, 2011 and December 31, 2010, (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and June 30, 2010 and (iv) Notes to Consolidated Financial Statements.

In Accordance with Rule 406T of Regulation S-T, the XBRl-related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

Filed herewith.
† Confidential treatment requested from the Securities and Exchange Commission as to certain portions. Confidential materials omitted and filed seperatly with the Securities and Exchange Commission.

Confidential Materials omitted and filed separately with the
Securities and Exchange Commission. Asterisks denote omissions.

1. CONTRACT ID CODE | PAGE OF PAGES: 1 | 2

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

2. AMENDMENT/MODIFICATION NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (*if applicable*)
00012	04/26/2011	0000HCGE-2011-96516	

6. ISSUED BY CODE 2540

Centers for Disease Control and Prevention
(PGO)
Building & Facilities Contracts Branch
2920 Brandywine Road, MS-K71
Atlanta, GA 30341-5539

7. ADMINISTERED BY (if other than item 6) CODE

8. NAME AND ADDRESS OF CONTRACTOR (*No., street, county, State and ZIP Code*)

EMERGENT BIODEFENSE OPERATIONS LANSING LLC
3500 N. MARTIN LUTHER KING JR BLVD
LANSING, MI 48906-2933

CODE 026489018 FACILITY CODE

(√) 9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (*See Item 11*)

10A. MODIFICATION OF CONTRACT/ORDER NO.
200-2009-30162

X 10B. DATED (*See Item 13*)
09/30/2008

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers ____ is extended, ____ is not extended.
Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:

(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (*If required*)

See Section B

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(√)	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (*Specify authority*) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (*such as changes in paying office, appropriation date, etc.*) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
X	D. OTHER (*Specify type of modification and authority*) In accordance with FAR 52-217.6 and Mutual agreement of the parties.

E. IMPORTANT: Contractor ☐ is not, ☒ is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (*Organized by UCF section headings, including solicitation/contract subject matter where feasible.*)

Please see page 2

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (*Type or print*)		16A. NAME OF CONTRACTING OFFICER	
Daniel J. Abdun-Nabi Vice President		Christine N. Godfrey	
15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA	16C. DATE SIGNED
/s/ Daniel J. Abdun-Nabi (*Signature of person authorized to sign*)	26 APRIL 2011	BY: /s/ Christine N. Godfrey (*Signature of Contracting Officer*)	4/28/11

The purpose of this modification is to:

a) Update the Contractor's name from Emergent BioDefense Operations Lansing Inc. to Emergent BioDefense Operations Lansing LLC in accordance with the change of name agreement (attachment 1) and letter dated February 28, 2011 (attachment 2);
b) Incoporate FAR Clause 52-217.6, Option to Increase Quantity to Section I.2 as shown in full text below;
c) Increase and fund CLIN 0005 by [**] doses at the contracted price of $[**];
d) As a result of this modification, total doses for CLIN 0005 is now [**] as Section B below;
e) Increase and fund CLIN 0008 by [**] trucks at the contracted price of $[**];
f) As a result of this modification, total truckloads for CLIN 0008 is now [**] as shown in Section B below;
g) As a result of this modification, total contract value and total funding are increased by $100,609,440.00 from $405,685,512.00 to $506,294,952.00;
h) Incorporate the following dose pricing structure for 4 year dated lots with less than [**] months expiration at the time of delivery:
[**]-year product (≥ [**] months to <[**] months) - $[**] per dose
[**]-year product (≥ [**] months to <[**] months) - $[**] per dose
i) Update the Forecasted Delivery Schedule as shown in J.7 (attachment 3).

Section B:

ITEM	SUPPLIES / SERVICES	QTY/UNIT	UNIT PRICE	EXTENDED PRICE
0005	BioThrax	[**]	$[**]	$[**]
	Line(s) Of Accounting: 921ZFXP 2642 2011 75-X-0943 5664311101 $[**] 9390110 2642 2011 75 -X-0943 5664311101 $[**] 939ZFCF 2642 2011 75-X-0943 5664311101 $[**] 939ZKZY 2642 2011 75-11-0943 5623RF1101 $[**] 939ZKZZ 2642 2011 75-11-0943 5623RF1101 $[**] 939ZLRW 2642 2011 75-11-0943 5623RF1101 $[**]			
0008	Shipping to SNS shipping tc SNS for CLIN 0005	[**]	$[**]	$[**]
	Line(s) Of Accounting: 939ZFCF2642 201I 75-X-0943 5664311101 $[**] 939ZKZZ 2642 2011 75-11-0943 5623RF1101 $[**] 939ZLRW 2642 2011 75-11 -0943 5623RF1101 $[**]			

I.2

52.217-6 Option for Increased Quantity (MAR 1989)
The Government may increase the quantity of supplies called for in the Schedule at the unit price specified. The Contracting Officer may exercise the option by written notice to the Contractor at any time during contract performance. Delivery of the added items shall continue at the same rate as the like items called for under the contract, unless the parties otherwise agree.

Attachment 1

Change of Name Agreement

Change-of-Name Agreement

Emergent BioDefense Operations Lansing Inc. ("Contractor"), a corporation duly organized and existing under the laws of Michigan, and the United States of America ("Government"), enter into this Agreement as of December 1, 2010.

(a) The parties agree to the following facts:

(1) The Government, represented by various Contracting Officers of the Centers for Disease Control and Prevention (PGO), has entered into a contract with Emergent BioDefense Operations Lansing Inc., namely Contract Number 200-2009-30162. The term "the contracts" as used in this Agreement, means the above contracts and all other contracts, including all modifications, made by the Government and the Contractor before the effective date of this Agreement (whether or not performance and payment have been completed and releases executed if the Government or the Contractor has any remaining rights, duties, or obligations under these contracts).

(2) Emergent BioDefense Operations Lansing Inc. filed a Certificate of Conversion with the Michigan Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division dated November 22, 2010 and has changed its corporate name to Emergent BioDefense Operations Lansing LLC effective December 1, 2010.

(3) This amendment accomplishes a change of corporate name only and all rights and obligations of the Government and of the Contractor under the contracts are unaffected by this change.

(4) Documentary evidence of this change of corporate name has been filed with the Government,

(b) In consideration of these facts, the parties agree that:

(1) The contracts covered by this Agreement are amended by substituting the name "Emergent BioDefense Operations Lansing LLC" for the name "Emergent BioDefense Operations Lansing Inc." wherever it appears in the contracts; and

(2) Each party has executed this Agreement as of the day and year first written above.

United States of America:

By:

Name:

Title:

Emergent BioDefense Operations Lansing LLC:

By: /s/ R. Don Elsey

Name: R. Don Elsey

Title: Treasurer

Certificate

I, Jay G. Reilly, certify that I am the Secretary of Emergent BioDefense Operations Lansing LLC; that R. Don Elsey, who signed this Agreement for this corporation, was then the Treasurer of this corporation; and that this Agreement was duly signed for and on behalf of this corporation by authority of its governing body and within the scope of its corporate powers. Witness my hand and the seal of this corporation this 3rd day of March 2011.

By: /s/ Jay G. Reilly

Attachment 2

Emergent Letter Dated February 28, 2011

February 28, 2011

Emergent BioSolutions Inc.
2273 Research Blvd., Suite 400
Rockville, MD 20850
t 301 795 1800
f 301 795 1899
www.emergentbiosloutions.com

Christine N. Godfrey

Contracting Officer

Centers for Disease Control and Prevention (PGO)

Building & Facilities Contracts Branch

2920 Brandywine Road, MS-K71

Atlanta, GA 30341-5539

RE: Contract No.: 200-2009-30162 (the "Contract")
Emergent BioDefense Operations Lansing LLC

Dear Ms. Godfrey:

As General Counsel for Emergent BioSolutions Inc. (the "Company"), the parent company of Emergent BioDefense Operations Lansing LLC ("EBOL"), I have been requested to furnish you an opinion with respect to the conversion of Emergent BioDefense Operations Lansing Inc., a Michigan corporation, to Emergent BioDefense Operations Lansing LLC, a Delaware limited liability company (the "Conversion") effective December 1, 2010.

As a basis for this opinion, I have received and reviewed the following documents related to the Conversion: the Limited Liability Company Agreement of Emergent BioDefense Operations Lansing LLC; the Certificate of Conversion filed with the Delaware Department of State, Division of Corporations; the Certificate of Formation for "Emergent BioDefense Operations Lansing LLC" filed with the Delaware Department of State, Division of Corporations; the Certificate of Conversion filed with the Michigan Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division; and the Application for Certificate of Authority to Transact Business in Michigan with respect to "Emergent BioDefense Operations Lansing LLC" filed with the Michigan Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. The opinion expressed herein as to the valid existence and good standing of the Company is based solely on a certificate of legal existence and good standing issued by the Secretary of State of the State of Delaware, dated as of December 1, 2010, and the opinion with respect to such matters is rendered as of the date of such certificate and limited accordingly.

Based upon and subject to the foregoing, I am of the opinion that EBOL is a limited liability company validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to conduct its business as it is, to my knowledge, currently conducted.

This opinion is provided to you as a legal opinion only and not as a guaranty or warranty of the matters discussed herein. This opinion is based upon currently existing statutes, rules, regulations and judicial decisions and is rendered as of the date hereof, and I disclaim any obligation to

advise you of any change in any of the foregoing sources of law or subsequent developments in law or changes in facts or circumstances which might affect any matters or opinions set forth herein.

This opinion is rendered only to you and is solely for your benefit in connection with the administration of the Contract. This opinion may not be relied upon by you for any other purpose, nor may this opinion be provided to, quoted to or relied upon by any other person or entity for any purpose without my prior written consent.

Any questions concerning the foregoing opinion should be communicated to me at 301-795-1873.

Very truly yours,

/s/ Jay G. Reilly

Jay G. Reilly

Vice President, Legal Affairs and

General Counsel

Attachment 3

Forecasted Delivery Schedule

J.7 Forecasted Delivery Schedule

CLIN	Delivery #	Lot	Ship Date	Expected Doses	Delivered Doses	Cum Doses	Date Accepted
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
			Total CLIN 1 Doses	**[**]**			
			Remaining in CLIN 1 to Deliver		**[**]Delivered CLIN 1**		
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
			Total CLIN 2 Doses	**[**]**			
			Remaining in CLIN 2 to Deliver		**[**]Delivered CLIN 2**		
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
			Total CLIN 3 Doses	**[**]**			
			Remaining in CLIN 3 to Deliver		**[**]Delivered CLIN 3**		
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]
[**]	[**]	[**]	[**]		[**]	[**]	[**]

[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
			Total CLIN 4 Doses	**[**]**				
			Remaining in CLIN 4 to Deliver		**[**]Delivered CLIN 4**			

[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]		[**]		[**]	[**]
[**]	[**]	[**]	[**]	[**]			[**]	
[**]	[**]	[**]	[**]	[**]			[**]	
[**]	[**]	[**]	[**]	[**]			[**]	
[**]	[**]	[**]	[**]	[**]			[**]	
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
[**]	[**]	[**]	[**]	[**]		[**]		
			Total CLIN 5 Doses	**[**]**				
Added Doses for Mod # 12			**Remaining in CLIN 5 to Deliver**	**[**]**	**[**]Delivered CLIN 5**			
[**]			**Total Contract Doses**	**[**]**				
			Remaining in contract to Deliver	**[**]**	**[**]Delivered total contract**			
			~Number of lots Remaining (~[**]k/lot)	**[**]**				

CONFIDENTIAL
EXECUTION VERSION

Exhibit 10.2

Confidential Materials omitted and filed separately with the
Securities and Exchange Commission. Asterisks denote omissions.

WYETH LLC

ACTING THROUGH ITS

WYETH PHARMACEUTICALS DIVISION

500 ARCOLA ROAD

COLLEGEVILLE, PENNSYLVANIA 19426 USA

May 18, 2011

Emergent Product Development Seattle, LLC.

2401 4th Avenue, Suite 1050

Seattle, Washington 98121

Re: Amendment No. 3 to the Collaboration and License Agreement dated as of December 19, 2005 (as previously amended, the "Agreement") by and between Emergent Product Development Seattle, LLC (successor to Trubion Pharmaceuticals, Inc. ("Trubion")) ("EPDS") and Wyeth LLC (formerly known as Wyeth), acting through its Wyeth Pharmaceuticals Division ("Wyeth")

Ladies and Gentlemen:

This letter agreement (the "Letter Agreement") constitutes Amendment No. 3 to the Agreement referred to above. Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement. EPDS and Wyeth desire to amend the Agreement with respect to the restrictions on Development and Commercialization of CD20 Antigens and CD20 Products. This Letter Agreement sets forth the agreement of EPDS and Wyeth with respect to such amendment.

Each of EPDS and Wyeth agrees as follows:

1. Amendments to Article 1. Article 1 of the Agreement is hereby amended by inserting the following new definitions in alphabetical order therein:

"'Biosimilar Combination Product' shall mean any product containing as active ingredients both (a) a CD 20 Biosimilar Product and (b) one or more other pharmaceutically active compounds or substances."

"'Biosimilar Product' shall mean a biological product other than a SMIP which, through reference to a biological product that has already received approval from the applicable regulatory authority (the "reference product"), is eligible for approval pursuant to an abbreviated follow-on biological approval pathway established by either the US FDA, the EMEA (currently Similar Biological Medicinal Product as described in CHMP/437/04, issued 30 October 2005, as amended from time to time) or the Pharmaceuticals and Medical Devices Agency (PMDA) of Japan, as such regulations may be amended from time to time. A product which qualifies as a Biosimilar Product under the regulatory pathway of any one such jurisdiction shall constitute a Biosimilar Product for purposes of this Agreement in all jurisdictions, even if the marketing approval for such product in other jurisdictions requires a more restrictive regulatory pathway."

"'CD20 Biosimilar Product' shall mean a Biosimilar Product with respect to which Development or Commercialization is first commenced or conducted by Wyeth during the CD20 Biosimilar Product Applicability Period, and such Biosimilar Product contains a protein directed against or that Specifically Binds to the CD20 Antigen or any portion thereof. A CD20 Biosimilar Product shall not be considered to be a CD20 Product for the purposes of this Agreement."

"'CD20 Biosimilar Product Applicability Period' shall mean any time that occurs both (a) during the term of this Agreement and (b) prior to the later of (i) the date which is ninety (90) days after the date of expiration or termination of Wyeth's obligations under Section 2.3.1 of this Agreement and (ii) May 26, 2012."

"'CD20 Biosimilar Royalty Period' shall mean the period of time beginning on the date of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product anywhere in the Territory and ending on the seventh (7^{th}) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in any Major Market Country; provided, however, that if the first commercial sale by Wyeth or any sublicense of the first CD20 Biosimilar Product in a Major Market Country occurs in a Major Market Country that is not the United States, then (a) the "CD20 Biosimilar Royalty Period" for all countries in the Territory other than the United States shall end on the seventh (7^{th}) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in such Major Market Country and (b) the "CD20 Biosimilar Royalty Period" for the United States shall end on the seventh (7^{th}) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in the United States. For the avoidance of doubt, if the first commercial sale by Wyeth or any sublicense of the first CD20 Biosimilar Product in a Major Market Country occurs in the United States, then the "CD20 Biosimilar Royalty Period" for all countries in the Territory shall end on the on the seventh (7^{th}) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in the United States."

"'CD20 Biosimilar Product Net Sales' shall mean the gross amounts charged for sales of CD20 Biosimilar Products by Wyeth or its sublicensees to Third Parties, less the sum of (a) and (b) where (a) is a provision, determined under Generally Accepted Accounting Principles in the United States and in accordance with Wyeth's customary and usual accrual procedures, consistently applied, for the accrual of (i) trade, cash, quantity and wholesaler discounts or rebates (other than price discounts granted at the time of sale), if any, allowed or paid, (ii) credits or allowances given or made for rejection or return of, previously sold CD20 Biosimilar Products or for retroactive price reductions (including Medicaid, managed care and similar types of rebates), (iii) taxes, duties or other governmental charges levied on or measured by the billing amount (excluding income and franchise taxes), as adjusted for rebates and refunds, and (iv) charges for packing, freight, and shipping to the extent included in the invoice price and (b) is a periodic adjustment (positive or negative, as applicable), determined under Generally Accepted Accounting Principles in the United States and in accordance with Wyeth's customary and usual adjustment procedures, consistently applied, of the provision determined in (a) to reflect amounts actually incurred for (i), (ii), (iii) and (iv) based on amounts actually invoiced or as separately set forth in agreements with Third Parties or as deducted or paid as required by applicable law or regulations. (The deductions described in (i), (ii), (iii) and (iv) are also referred to herein as "Permitted Deductions.") In the case of any sale of CD20 Biosimilar Products for consideration other than cash, CD20 Biosimilar Product Net Sales shall be calculated on the fair market value of the consideration received.

Notwithstanding the foregoing, if a CD20 Biosimilar Product is sold as a Biosimilar Combination Product (also a "Combination Sale"), the Net Sales for such Biosimilar Combination Product shall be the portion of such Combination Sale allocable to the CD20 Biosimilar Product determined as follows:

Except as provided below, the CD20 Biosimilar Product Net Sales amount for a Combination Sale shall equal the gross amount invoiced for the Combination Sale, reduced by the Permitted Deductions (also the "Net Combination Sale Amount"), multiplied by the fraction A/(A+B), where:

A is the invoice price, in the country where such Combination Sale occurs, of the CD20 Biosimilar Product contained in the Biosimilar Combination Product, if sold as a separate product in such country by Wyeth or its sublicensees, as the case may be, and B is the aggregate of the invoice price or prices, in such country, of products which collectively contain as their respective sole active ingredient such other pharmaceutically active compounds or substances, as the case may be, included in the Biosimilar Combination Product, if sold separately in such country by Wyeth or its sublicensees, as applicable.

In the event that Wyeth or its sublicensees sell the CD20 Biosimilar Product included in a Biosimilar Combination Product as a separate product in a country, but do not separately sell all of the other pharmaceutically active compounds or substances, as the case may be, included in such Biosimilar Combination Product in such country, the calculation of the CD20 Biosimilar Product Net Sales amount for such Combination Sale shall be determined by multiplying the Net Combination Sale Amount by the fraction A/C where:

A is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as the case may be, for the CD20 Biosimilar Product contained in such Biosimilar Combination Product, when sold as a separate product by Wyeth or its sublicensees, as applicable, and C is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as applicable, for the entire Biosimilar Combination Product.

In the event that Wyeth or its sublicensees do not sell the CD20 Biosimilar Product included in a Biosimilar Combination Product as a separate product in a country where such Combination Sale occurs, but do separately sell products which collectively contain as their respective sole active ingredient all of the other pharmaceutically active compounds or substances, as the case may be, included in the Biosimilar Combination Product in such country, the calculation of CD20 Biosimilar Product Net Sales resulting from such Combination Sale shall be determined by multiplying the Net Combination Sale Amount by the fraction (C-D)/C, where:

C is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as the case may be, for the entire Biosimilar Combination Product, and D is the average wholesale price charged by Wyeth or its sublicensees, as the case may be, for the products which collectively contain as their sole active ingredient such other pharmaceutically active compounds or substances, as the case may be, included in the Biosimilar Combination Product.

Where active ingredient portions of a Biosimilar Combination Product are sold separately as other products but in different dosage strengths than are in the Biosimilar Combination Product, the calculation of the Net Sales amount for such Biosimilar Combination Product shall be based on appropriate proration of the amounts of each active ingredient component included therein when applying the formulas set forth above.

Where the calculation of CD20 Biosimilar Product Net Sales resulting from a Combination Sale in a country cannot be determined by any of the foregoing methods, the calculation of CD20 Biosimilar Product Net Sales for such Combination Sale shall be that portion of the Net Combination Sale Amount reasonably

determined in good faith by the Parties as properly reflecting the value of the CD20 Biosimilar Product included in the Biosimilar Combination Product.

Notwithstanding the foregoing, CD20 Biosimilar Product Net Sales shall not include any reimbursement received by Wyeth or its sublicensees in respect of the use of a CD20 Biosimilar Product in a country solely as part of a clinical trial prior to the receipt of marketing authorization required to commence commercial sales of such CD20 Biosimilar Product in such country."

2. Amendment to Section 2.3.1. Section 2.3.1 of the Agreement is hereby amended by adding the following new paragraph at the end thereof:

"The foregoing provisions of this Section 2.3.1 shall not, and shall not be deemed to, prohibit Wyeth from Developing or Commercializing any CD20 Biosimilar Product. For clarity, no rights or licenses are granted to Wyeth under the Trubion Technology with respect to any CD20 Biosimilar Products."

3. Amendment to Section 5.4. In partial consideration for EPDS agreeing to amend Section 2.3.1 of the Amendment as set forth above, Section 5.4 of the Agreement is hereby amended by adding the following new Section at the end thereof:

"5.4.7. **CD20 Biosimilar Product Payments**. Wyeth shall pay to Trubion an amount equal to [**] percent ([**]%) multiplied by the aggregate CD20 Biosimilar Product Net Sales collectively obtained by Wyeth and its sublicensees from the sale of CD20 Biosimilar Products during each calendar year. Such payments shall be made during the CD20 Biosimilar Royalty Period. Sections 5.5 (excluding clause (c) of Section 5.5.2) and 5.6 shall apply to the payments to be made pursuant to this Section 5.4.7 on CD20 Biosimilar Products.

4. Amendment to Section 9.7.10. In further consideration for Trubion agreeing to amend Section 2.3.1 of the Agreement as set forth above, Section 9.7.10 of the Agreement is hereby amended and replaced by the following text:

"9.7.10. **Continuation of Certain Rights and Licenses.**

(a) Notwithstanding anything in this Section 9.7 to the contrary, the Parties' rights and licenses set forth in Sections 6.1.1 and 6.1.2 shall survive any expiration or termination of this Agreement.

(b) Notwithstanding anything in this Section 9.7 to the contrary, Trubion's right to receive CD20 Biosimilar Product Payments in accordance with Section 5.4.7 shall survive any expiration or termination of this Agreement and continue until the end of the CD20 Biosimilar Royalty Period."

5. Amendment Payment. Wyeth shall pay to EPDS Two Million Five Hundred Thousand Dollars ($2,500,000.00) within thirty (30) days after the effective date set forth below, which payment shall be non-refundable and non-creditable.

6. Assignment. Wyeth hereby assigns the Agreement, as amended hereby, and all of its rights, obligations and interests thereunder, to Pfizer Inc. Pfizer Inc. hereby accepts such assignment and assumes the rights, obligations and interests of Wyeth under the Agreement.

7. Continuity of Royalty Obligation. In the event that Wyeth or Pfizer Inc. sells, transfers, licenses or otherwise assigns its rights and interests in any CD20 Biosimilar Product for which royalties are or will become due and payable as provided for in the amendments to the Agreement set forth in Paragraph 3 above, Pfizer Inc. shall remain responsible for the obligation to pay such royalties with respect to such CD20 Biosimilar Product unless the successor to such rights and interests confirms in writing to EPDS that such successor assumes the obligations to pay such royalties to EPDS.

8. Notice.

(a) On or prior to January 15, 2012 and thereafter on or prior to each January 15 and July 15 that occurs during the CD20 Biosimilar Product Applicability Period, Wyeth or Pfizer Inc. shall provide EPDS with a written report with respect to whether the Development or Commercialization of any CD20 Biosimilar Product was first commenced or conducted by Wyeth since the date of the last such report.

(b) Wyeth or Pfizer Inc. shall provide EPDS with notice of the consummation of any transaction contemplated pursuant to Section 7 of this Letter Agreement within thirty (30) days after consummation thereof and such notice shall indicate whether the obligations set forth in Section 7 remain with Pfizer Inc or were transferred to the successor.

This Letter Agreement shall be deemed entered into and effective as of May 26, 2011. As modified by this Amendment No. 3, the Parties confirm that the Agreement is in full force and effect.

Please indicate your acknowledgement of and agreement with the foregoing by having each counterpart of this Letter Agreement executed on behalf of EPDS and returning one fully executed original counterpart to me.

Very truly yours,

WYETH LLC, acting through its

WYETH PHARMACEUTICALS DIVISION

By: /s/ Mikael Dolsten

Name: Mikael Dolsten

Title: President – Worldwide Research and Development

By: /s/ Mikael Dolsten

Name: Mikael Dolsten

Title: President – Worldwide Research and Development

ACKNOWLEDGED AND AGREED:

EMERGENT PRODUCT DEVELOPMENT SEATTLE, LLC

By: /s/ Kyle W. Keese

Name: Kyle W. Keese

Title:

Title: 18 May 11

Exhibit 10.3

Confidential Materials omitted and filed separately with the
Securities and Exchange Commission. Asterisks denote omissions.

Execution Copy

AMENDED AND RESTATED

LICENSE AND COMMERCIALIZATION AGREEMENT

---

between

GENMAB A/S

and

TENX BIOPHARMA, INC.

Dated as of December 22, 2009

TABLE OF CONTENTS

AMENDED AND RESTATED LICENSE AND COMMERCIALIZATION AGREEMENT

This **AMENDED AND RESTATED LICENSE AND COMMERCIALIZATION AGREEMENT** (this "Agreement"), effective as of December 22, 2009 (the "Effective Date"), is entered into by and between **GENMAB A/S**, having principal offices at Bredgade 34, DK-1260, Copenhagen K, Denmark ("Genmab"), and **TENX BIOPHARMA, INC**., having principal offices at 109 N. Orianna, Philadelphia, PA 19106 (formerly known as Zani Pharmaceuticals, Inc., "TenX"); and each of TenX and Genmab, a "Party", and together, the "Parties".

W I T N E S S E T H

WHEREAS, Genmab has developed the drug product candidate zanolimumab (HuMax-CD4®), which has been in clinical evaluation in cutaneous T-cell lymphoma ("CTCL") (phase III), non-CTCL (phase II) ("NCTCL"), rheumatoid arthritis and psoriasis, and owns, or has licenses to, certain patents and know-how relating to zanolimumab; and

WHEREAS, Genmab is willing to grant to TenX, and TenX is willing to accept, an exclusive license under such rights that Genmab owns and a sublicense under such rights that Genmab has acquired from third parties; and

WHEREAS, TenX is willing to assume responsibility for carrying out certain continued development activities with respect to zanolimumab and shall have sole control over the development, manufacture and commercialization of zanolimumab, on the terms and conditions set forth herein; and

WHEREAS, the Parties entered into a License and Commercialization Agreement as of April 3, 2009 (the "Original Agreement"), as well as two extension letters dated as of July 30, 2009, and August 17, 2009; and

WHEREAS, the Parties wish to amend and restate the Original Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree that this Agreement hereby restates and amends the Original Agreement in its entirety as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"110 Study" shall mean the study pursuant to the study protocol entitled "Open-label, Dose escalation, followed by Open-label, Single Arm, Multi-center Clinical Trial of HuMax-CD4, a Fully Human Monoclonal Anti-CD4 Antibody, in Patients with Mycosis Fungoides (Stage IB-IVB) or Sézary Syndrome who are Refractory or Intolerant to Targretin® (bexarotene) and one other Standard Therapy".

"Activity Costs" shall mean out-of-pocket costs - associated with the clinical, manufacturing, research fees, licenses and regulatory activities performed by Genmab under the Agreement, including without limitation the activities performed by Genmab after the Effective Date and the activities performed pursuant to the Transfer Plan, including without limitation any activities related to storage and stability testing of Clinical Supplies. For the avoidance of doubt, FTE Costs, external patent lawyers, patent fees and travel costs are excluded from Activity Costs, except those patent costs as provided for in Section 8.01 are to be included in Activity Costs.

"Adverse Events" shall have the meaning ascribed in Section 3.06.

"Affiliate" shall mean any corporation, firm, partnership or other entity that controls, is controlled by or is under common control with the Party in question. For the purpose of this definition, "control" shall mean the ownership, whether direct or indirect, of at least fifty percent (50%) of the equity having the power to vote on or otherwise direct the affairs of the entity. An entity shall only be considered an Affiliate for so long as such control exists.

"Business Day" shall mean any day other than a Saturday, Sunday or such other day on which the principal commercial banks located in New York, New York are not open for business during normal banking hours.

"Cabilly Patent" shall mean US Patent No. [**].

"Clinical Studies" shall mean human studies designed to measure the safety and/or efficacy of a Product, including phase I clinical trials, phase II clinical trials, phase III clinical trials (as each are further described in 21 C.F.R. §312.21(a)-(c)), and phase IV clinical trials as required to obtain, support or expand Regulatory Approval.

"Clinical Supplies" shall mean supplies of a Product, placebo (where relevant), comparator (where relevant) and diluent ready to be used for the conduct of pre-clinical studies and/or Clinical Studies of a Product in the Field.

"Commercialization" (including variations such as "Commercialize" and the like) shall mean the performance of any and all activities directed to promoting, marketing, importing, exporting, distributing, selling or offering to sell (including pre-marketing), sampling, and post-marketing drug surveillance of a pharmaceutical product or, to the extent permitted under this Agreement, to have any of those activities performed by a third party.

"Commercial Supplies" shall mean supplies of a Product (i) for the Commercialization of Product in the Field by TenX or its permitted sublicensees, or (ii) for compassionate use or use in investigator-sponsored Clinical Studies.

"Compound" shall mean zanolimumab (HuMax-CD4®).

"Controlled" shall mean the legal authority or right of a Party hereto to grant a license or sublicense of intellectual property rights to the other Party hereto, or to otherwise disclose proprietary or trade secret information to such other Party, without breaching the terms of any agreement with a third party or misappropriating the proprietary or trade secret information of a third party or other arrangement, whether existing before or after the Effective Date with any third party.

"Cross License" shall mean that certain Cross-License Agreement entered into by and among Abgenix, Inc., Cell Genesys, Inc., Japan Tobacco Inc., Xenotech L.P., and GenPharm International, Inc., effective as of March 26, 1997, as amended from time to time.

"Development" (including variations such as "Develop" and "Developing") shall mean the performance of any and all activities relating to obtaining Regulatory Approvals of a pharmaceutical product and to maintaining such Regulatory Approvals. Development activities include the performance by TenX or authorized third parties of pre-clinical studies, pharmacokinetic studies, toxicology studies, formulation, test method development and stability testing, manufacturing process development, validation and scale-up (including bulk compound production), Manufacturing Clinical Supplies, quality assurance and quality control for formulations of a Product, Clinical Studies (excluding post-marketing Clinical Studies), and regulatory affairs including regulatory legal services.

"EMEA" shall mean the European Agency for the Evaluation of Medicinal Products, or any successor agency.

"EU" shall mean the countries of the economic, scientific and political organization of member states known as the European Union, as it is constituted from time to time.

"Europe and Asia" shall mean the countries identified on Schedule A.

"FDA" shall mean the U.S. Food and Drug Administration, or any successor agency.

"Field" shall mean the treatment of human diseases.

"First Commercial Sale" shall mean, with respect to any Product in any country, the first commercial sale of such Product in such country after all Regulatory Approvals have been obtained in such country for such Product.

"FTE" shall mean full-time equivalent employee.

"FTE Cost" shall mean an amount equal to [**] USD per calendar year (or pro rata amount thereof) for each FTE involved in executing the Transfer Plan or performing the activities pursuant to Section 8.01. Such FTE Cost corresponds to an hourly rate of [**] USD per FTE and a daily rate of [**] USD per FTE.

"Genmab Adverse Events" shall have the meaning ascribed in Section 3.06.

"IND" shall mean an investigational new drug application relating to a Product filed with the FDA pursuant to 21 C.F.R. Part 312, or any comparable filing made with a Regulatory Authority in another country (including the submission to a competent authority of a request for an authorization concerning a clinical trial, as envisaged in Article 9, paragraph 2, of European Directive 2001/20/EC).

"Knowledge of Genmab" shall mean the actual knowledge of [**] and any officers of Genmab as of the Effective Date of this Agreement.

"Law" or "Laws" shall mean all applicable laws, statutes, rules, regulations, ordinances and other pronouncements having the binding effect of law of any applicable government authority, court, tribunal, agency, legislative body, commission or other instrumentality of (i) any government of any country, (ii) any state, province, county, city or other political subdivision thereof, or (iii) any supranational body.

"Licensed Know-How" shall mean the proprietary and confidential information that is owned or Controlled by Genmab and related to the Development and Commercialization of the Compound, including the, technical data, protocols, methods and processes, provided that the Licensed Know-How does not include any patent rights or any Lonza Materials Know-How or Lonza Intellectual Property.

"Licensed Materials" shall mean any materials necessary or desirable to make use or sell the Compound or the Product, which are controlled or owned by Genmab.

"Licensed Patents" shall mean the patents owned by Genmab as listed on Schedule B.

"Licensed Technology" shall mean the Licensed Materials, the Licensed Know-How and the Licensed Patents.

"Lonza" shall mean Lonza Sales AG, a Swiss company with offices at Munchensteinerstrasse 38, CH-4002, Basel, Switzerland.

"Lonza Commercial License" shall mean that certain License Agreement between Lonza Biologics plc ("Biologics") and Genmab made November 14, 2001, as amended by Amendment No. 1 made December 30, 2004, as novated by Amendment No. 2 made January 1, 2007 between Biologics, Genmab and Lonza Sales AG, as amended by Amendment No. 3 made July 22, 2008, as amended from time to time.

"Lonza Intellectual Property" shall mean Intellectual Property, as such term is defined in the Lonza Commercial License.

"Lonza Materials Know-How" shall mean any Materials Know-How (as such term is defined in the Lonza Commercial License) licensed to Genmab by virtue of the Lonza Commercial License, as the same is provided to TenX hereunder and identified as such at the time of its provision.

"Lonza Materials" shall mean Materials, as such term is defined in the Lonza Commercial License.

"Manufacturing" (including variations such as "Manufacture") shall mean the performance of any and all activities directed to producing, manufacturing, processing, filling, finishing, packaging, labeling, quality control, quality assurance, testing and release, shipping and storage of Product.

"Medarex" shall mean collectively, Medarex, Inc, a New Jersey corporation, and its wholly-owned subsidiary GenPharm International, Inc.

"Medarex Royalty Rate" shall mean the tiered royalty rate structure set forth in Section 6.5 of the Medarex License for the annual CD4 Net Sales (as defined in the Medarex License) of the CD4 Products (as defined in the Medarex License) in Europe and Asia payable by Genmab to Medarex.

"Medarex License" shall mean that certain Evaluation and Commercialization Agreement by and between Genmab, Medarex Inc. and GenPharm International, Inc. dated February 25, 1999, as amended by Amendments No.'s 1, 2, 3, 4, 5, 6, 7 and 8 respectively effective as of May 17, 1999, May 19, 2000, August 23, 2000, June 6, 2002, March 11, 2003, September 14, 2004, June 29, 2005 and October 26, 2006, as amended from time to time.

"Medarex Technology" shall mean the patents and know-how that are related to the development and commercialization of the Compound and that are licensed to Genmab under the Medarex License.

"MRC" shall mean the Medical Research Council.

"MRC License" shall mean that certain License Agreement made October 1, 1993, between GenPharm International, Inc. ("GenPharm", as of the Effective Date, a wholly owned subsidiary of Medarex, Inc.) and MRC, the Agricultural and Food Research Council Institute of Animal Physiology and Genetics Research of Babraham Hall ("AFRC", as of the Effective Date, succeeded in title by the Babraham Institute) and [**], as amended by the Amendment Agreement made August 12, 1994 between

GenPharm and MRC (on behalf of itself, AFRC and [**]) and further amended by the Letter Amendment dated April 19, 2002 between Medarex, Inc. (on behalf of itself and GenPharm) and MRC (on behalf of itself, the Babraham Institute and [**]), and the sublicense granted to Genmab thereunder pursuant to the Medarex License, as amended from time to time.

"Net Sales" shall mean, with respect to sales of a Product, the amounts invoiced by TenX and its sublicensees for the sale of such Product to bona fide independent third parties, less to the extent included in such amount: (i) normal and customary rebates, and cash and trade discounts, actually taken; (ii) sales, use and/or other excise taxes, custom duties or other governmental charges (other than taxes imposed on or measured by net income) actually paid in connection with sales such Product; (iii) the cost of any bulk packages and packing, prepaid freight charges and insurance; (iv) amounts actually allowed or credited due to returns paid; and (v) amounts written off for bad debt. In the case of (i) and (iv), such amounts shall be deductible only to the extent the same are separately identified on the invoice to the customer or other documentation maintained by TenX or its sublicensees in the ordinary course of business. All sales of Product between TenX and its sublicensees or sales of Product for compassionate use or named patient basis shall be disregarded for purposes of computing Net Sales. For purposes of this Agreement, compassionate use or named patient basis sales will be those sales prior to the first Regulatory Approval for marketing, on a country-by-country basis.

"New Product Application" shall mean an application for Regulatory Approval required for commercial marketing or sale of a Product as a pharmaceutical product in a regulatory jurisdiction.

"Orphan Drug Designation" shall mean any designation of a Product as an orphan medicinal product under Regulation (EC) No. 141/2000 of the European Parliament and of the Council of 16 December 1999 on orphan medicinal products (or equivalent Laws in jurisdictions other than the EU) which results from submission of an application to EMEA, the Committee for Orphan Medicinal Products (COMP), the European Commission and any comparable designation which results from a comparable submission to any other national or supranational body concerned with the application for, or maintenance of, orphan medical product designations, including the FDA.

"Person" means any individual, limited liability company, corporation, association, partnership, business trust, joint stock company, joint venture, trust, estate or other entity or organization of whatever nature.

"Product" shall mean a product comprising a pharmaceutical formulation of the Compound.

"Regulatory Approval" shall mean any approvals, licenses, registrations or authorizations (excluding pricing, insurance, reimbursement and formulary approvals, licenses, registrations or authorizations) of any regional, national, state or local Regulatory Authority, or other regulatory agency, department, bureau or governmental authority, necessary for the marketing and sale of a Product in a regulatory jurisdiction, including approvals for New Product Applications and orphan drug applications.

"Regulatory Authority" shall mean (a) the FDA, (b) the EMEA, or (c) any other governmental agency with similar authority over pharmaceutical or biotechnology products in any other jurisdiction anywhere in the world.

"Retained Field" shall have the meaning ascribed in Section 4.02.

"Term" shall have the meaning ascribed in Section 9.01.

"Transfer Plan" shall have the meaning ascribed in Section 3.03.

"Upstream Agreements" shall mean the Medarex License, the MRC License and the Lonza Commercial License.

"TenX Adverse Events" shall have the meaning ascribed in Section 3.06.

Section 1.02 Interpretation and Rules of Construction. In this Agreement, except to the extent that the context otherwise requires:

(a) when a reference is made in this Agreement to an Article, Section or Schedule, such reference is to an Article or Section of, or a Schedule to, this Agreement unless otherwise indicated;

(b) the table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;

(c) whenever the words "include," "includes" or "including" are used in this Agreement, they are deemed to be followed by the words "without limitation";

(d) the words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(e) all terms defined in this Agreement have the defined meanings when used in any document made or delivered pursuant hereto, unless otherwise defined therein;

(f) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;

(g) any Law defined or referred to herein or in any agreement or instrument that is referred to herein means such Law as from time to time amended, modified or supplemented, including by succession of comparable successor Laws;

(h) references to a Person are also to its permitted successors and assigns;

(i) the use of "or" is not intended to be exclusive unless expressly indicated otherwise; and

(j) references to this "Agreement" include the Schedules hereto, and all amendments hereto made in accordance with the provisions of Section 12.01.

ARTICLE II

CLOSING

Section 2.01 Closing. Subject to the terms and conditions of this Agreement, the sale and purchase of the rights granted to the Compound contemplated by this Agreement shall take place at a closing (the "Closing") to be held at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York at 10:00 A.M. New York time at the earlier of (i) January 31, 2010 or (ii) or when the final payment under Section 6.01 is made at such other place or at such other time or on such other date or in such other way as the Parties may mutually agree upon in writing.

Section 2.02 Closing Delivery to Genmab. TenX shall deliver the remainder of fees described in Section 6.01 and any amounts then owed under Section 3.02 in cash by wire transfer in immediately available funds at the Closing to the bank account to be designated by Genmab in a written notice to TenX.

Section 2.03 Exercise of Lonza Option.

Subject to Section 4.07(a), TenX shall inform Genmab in writing by December 31, 2009 whether it wishes to exercise the Lonza Option in which case it shall pay the pounds sterling six thousand two hundred and fifty (£6,250) remainder of the annual license fee to Genmab by such date.

ARTICLE III

COOPERATION AND TECHNOLOGY TRANSFER

Section 3.01 Alliance Managers. No later than seven (7) days after the Effective Date, each Party shall nominate one alliance manager to act as a central contact for that Party, to whom any relevant queries and comments relating to the operation of the Development and Commercialization of the Product can be addressed by the other Party and who will ensure that such queries and comments are further directed within that alliance manager's organization appropriately and promptly to ensure efficient communication and cooperation between the Parties. Each Party may replace its alliance manager at any time upon written notice to the other Party. TenX shall ensure that Claus Møller, former Chief Operating Officer of Genmab, or any employees of IPC International, shall not act as an alliance manager or contact or interact with any employees of Genmab or its Affiliates regarding this Agreement or the operation of the Development and Commercialization of the Product.

Section 3.02 Activity Costs.

TenX shall pay to Genmab any Activity Costs and related FTE Costs incurred by Genmab after the Effective Date up until Closing, within seven (7) calendar days, with a five (5) day cure period, upon receipt of invoices from Genmab on a weekly basis, subject to weekly discussions and agreement between the Parties as to such costs. The Activity Costs and related FTE Costs shall not exceed [**] US Dollars ($[**]) per month, excluding the TenX authorized activities by vendors relating to the stability testing and other CMC activities. In addition, TenX shall pay to Genmab, to the extent TenX requests Genmab to undertake, any Activity Costs and related FTE Costs to implement any activities for which TenX is financially responsible pursuant to the Transfer Plan (as defined below) as such costs shall be discussed and agreed to by the Parties. In case of termination of the Agreement TenX shall pay to Genmab any Activity Costs and related FTE Costs that TenX has approved or authorized Genmab to perform, including such costs incurred after termination. In case an Activity Cost reimbursable to Genmab under this Agreement will exceed [**] US Dollars ($[**]), TenX shall pay such amount in advance upon the request of Genmab.

Section 3.03 Transfer Plan. Schedule C hereto sets forth mutually agreed upon set of procedures (the "Transfer Plan") for implementing the transfer by Genmab of any existing Licensed Know-How and Licensed Materials that are available to Genmab, and for which Genmab has the right to transfer, to TenX, at TenX's sole cost and expense. Pursuant to the Transfer Plan Genmab will transfer to TenX (i) all INDs for a Product, (ii) the Orphan Drug Designations for a Product, and (iii) any pending clinical trial applications for a Product (taking into account the health and safety of the patients enrolled therein), in each case that are available to Genmab, and for which Genmab has the right to transfer, at TenX's sole cost and expense. Pursuant to the Transfer Plan, Genmab will also transfer to TenX a copy of the safety database regarding the Compound that is available to Genmab, and for which Genmab has the right to transfer, at TenX's sole cost and expense. All such transfers described above shall begin after the final payment is made by TenX pursuant to Section 6.01, and shall be completed by Genmab as soon as possible and preferably no later than 30 days after the final payment is made by TenX pursuant to Section 6.01. Prior to the transfer of the Licensed Materials to TenX, Genmab agrees to instruct its third party vendors to maintain the Licensed Materials in accordance with GMP standards, including the method of conducting stability testing. Pursuant to the Transfer Plan, TenX shall amend all of the clinical trial documentation and related agreements at its sole cost and expense in order to reflect the change in sponsorship, conduct and monitoring of the clinical trial. TenX shall immediately inform Genmab upon the qualification of TenX or its sublicensee as "Sponsor" of the clinical trial with each relevant Regulatory Authority.

Section 3.04 Regulatory Matters. After the transfer of the items described in clauses (i), (ii) and (iii) of Section 3.03, TenX shall be solely responsible for filing and maintaining all INDs and New Product Applications and seeking Regulatory Approvals for Product in all indications within the Field at its sole cost and expense, which applications and approvals may be held by, and in the name of, TenX. After the Closing but prior to such transfers, (x) Genmab agrees not to make changes or alterations to any of the items set forth in clauses (i), (ii) and (iii) of Section 3.03, without the prior approval of TenX, which approval shall not be unreasonably withheld, and (y) Genmab agrees to file periodic reports with the FDA and EMEA related to such items, as required, with the prior approval of TenX, which approval shall not be unreasonably withheld. Furthermore, TenX shall be responsible for complying with all regulatory requirements related to the 110 Study no matter whether the study is closed down or re-activated. The Parties agree that a letter, signed by both Parties, shall be sent to the Regulatory Authorities within 30 days after Closing to the effect that TenX has taken over all responsibility for the Study 110, including without limitation the preparation and submission of all required reports to the Regulatory Authorities.

Section 3.05 Debarment Limitations. In the course of Developing a Product, TenX shall not knowingly use any employee or consultant who is, or has been, debarred by the FDA or any other Regulatory Authority or, to the best of TenX's knowledge, is, or has been, the subject of debarment proceedings by any such Regulatory Authority. TenX shall promptly notify Genmab of, and provide Genmab with a copy of, any correspondence or other reports with respect to any use of a debarred employee or consultant in connection with TenX's performance of its obligations under this Agreement that TenX receives from any third party.

Section 3.06 Adverse Events Reporting. TenX, on behalf of itself and any permitted sublicensees, shall advise Genmab within three (3) Business Days after TenX or its sublicensees become aware of any serious or unexpected side effects, injury, toxicity or sensitivity reaction, or any unexpected incidence, and the severity thereof, associated with the Development and Commercialization of a Product that relates to the Retained Field or could likely relate to the Retained Field (collectively, "TenX Adverse Events"). Genmab shall advise TenX within three (3) Business Days after Genmab becomes aware of any serious or unexpected side effects, injury, toxicity or sensitivity reaction, or any unexpected incidence, and the severity thereof, associated with its Development and Commercialization of any product that relates to or could likely relate to the Licensed Technology (collectively, "Genmab Adverse Events;" and together with TenX Adverse Events, "Adverse Events"). The Party reporting an Adverse Event shall provide the other Party with a written report delivered by overnight mail in regards to an Adverse Event, stating the full facts known to the Party reporting an Adverse Event, including investigator name, site details, customer name, address, telephone number, batch, lot and serial numbers (each, as applicable) and any other information required by Law. In the event that the non-reporting Party requires information regarding Adverse Events with respect to reports required to be filed by it in order to comply with applicable Laws, including obligations to report Adverse Events to the Regulatory Authorities, subject to applicable Law, the Party reporting an Adverse Event agrees to use good faith efforts to promptly provide such information to the non-reporting Party.

Section 3.07 Rights of Reference. TenX shall grant Genmab and its Affiliates a free-of-charge right to reference and use and have full access to all regulatory documents relating to a Product, including any IND or New Product Application (and all chemistry, Manufacturing and controls information), and any supplements, amendments or updates to the foregoing, where such regulatory documents are Controlled by TenX, which relate to the Retained Field or could likely relate to the Retained Field. Genmab may sublicense such rights to its sublicensees.

Section 3.08 Access to Manufacturers. TenX shall use its commercially reasonable efforts, and will cause its sublicensee to use commercially reasonable efforts, to cause each third party manufacturer that TenX has engaged to Manufacture a Product to provide reasonable access to the Manufacturing facility of such third party for inspection by Genmab and to disclose to Genmab such technology relating to the establishment and maintenance of a Manufacturing facility for a Product as Genmab shall reasonably request, provided such technology relates to the Retained Field or could likely relate to the Retained Field.

Section 3.09 Master Cell Line. Upon TenX's exercise of the Lonza Option (as defined herein), Genmab shall, at TenX's written request, promptly upon Closing transfer or cause to be transferred to TenX the master cell line relating to a Product that is available to Genmab and for which Genmab has the right to transfer. TenX shall pay all out-of-pocket shipping costs in connection with any such transfer.

ARTICLE IV

GRANT OF LICENSE

Section 4.01 Grant of License. Upon the terms and conditions set forth herein and while this Agreement is in full force and effect, effective upon the Closing, Genmab hereby grants TenX, and TenX hereby accepts:

(i) an exclusive (subject to Section 4.02) worldwide license in the Field under the Licensed Technology, with the right to sublicense, to make, have made, import, use, offer to sell and sell any Product; and

(ii) an exclusive (subject to Section 4.02) worldwide sublicense in the Field to all of Genmab's rights in and to the Medarex Technology that is Controlled by Genmab pursuant to the Medarex License (including Medarex Technology that is the subject matter of the Cross License or the MRC License and which is sublicensed to Genmab under the Medarex License), with the right to further sublicense (subject to Section 4.05), to make, have made, import, use, offer to sell and sell any Product.

Section 4.02 Retained Field. Notwithstanding Section 4.01, the Parties acknowledge and agree that Genmab, either alone or in collaboration with another Person, shall have the exclusive, worldwide right to Develop and Commercialize monovalent anti-CD4 antibodies, including monovalent anti-CD4 antibodies derived from the Compound, for prophylactic, therapeutic and diagnostic use within the field of immune disorders, including HIV-1 infection and AIDS provided, that such monovalent anti-CD4 antibodies are prepared using Genmab's proprietary UniBody® technology, including any improvements to the UniBody® technology that may be developed after the Effective Date (collectively, the "Retained Field").

Section 4.03 Limits on Use of Mice and Mice Materials. Nothing in this Agreement grants or confers any license or rights to or on TenX to generate, breed, immunize, use or transfer any Mice (as defined in the Medarex License). Nothing in this Agreement grants or confers any license or rights to or on TenX to sell, lease, offer for sale, offer for lease, or otherwise transfer title to any Mice Materials (as defined in the Medarex License).

Section 4.04 Conflict with Medarex License. TenX acknowledges that, in respect of any and all rights or licenses granted to TenX pursuant to this Agreement under Medarex Technology that is licensed or sublicensed to Genmab from Medarex, such rights and licenses are subordinate and subject to the Medarex License. In the event of any inconsistency between this Agreement and the Medarex License, the Medarex License shall prevail.

Section 4.05 Sublicenses. TenX shall have the right to grant sublicenses to its Affiliates and third parties (with the right to grant further sublicenses) of the rights granted in Section 4.01 provided that, prior to the grant of any sublicense, TenX shall provide Genmab with at least the following information with respect to each potential sublicensee: (i) the identity of the sublicensee; (ii) a description of the Product, and the rights being granted to the sublicensee; and (iii) a description of the territory in which the Product will be sold. TenX shall notify Genmab promptly after the grant of any such sublicense. The grant of any such sublicense shall not relieve TenX of any of its obligations under this Agreement (including its financial obligations), and all such sublicenses shall be consistent with and subject to all the terms and conditions of this Agreement. In addition, all sublicenses must obtain for Genmab and Medarex the right to audit the sublicensees' books and records. TenX will require that Genmab be a third-party beneficiary under all sublicenses of the rights granted in Section 4.01, and any sublicense which fails to provide the same shall be null and void.

Section 4.06 Affiliates. Subject to Section 4.05, the Parties agree that any Affiliate of a Party may perform any of such Party's obligations under this Agreement for or on behalf of such Party provided that such Party shall be fully responsible and liable for the actions of its Affiliate(s) in the performance of such obligations and shall ensure that such Affiliate(s) comply with the terms of this Agreement.

Section 4.07 Lonza Sublicense. (a) *Grant of Sublicense*. Genmab hereby grants TenX an option to obtain a worldwide sublicense under the Lonza Commercial License to the Lonza Intellectual Property to use the Lonza Materials to develop, manufacture, market and sell Product in the Field (the "Lonza Option") to the fullest extent of Genmab's ability to grant such a sublicense under the terms of the Lonza Commercial License, provided that TenX pays Genmab pounds sterling six thousand two hundred and fifty (£6,250) by December 31, 2009. In the event TenX exercises the Lonza Option, TenX shall be responsible for paying any other costs payable to Lonza under the Lonza Commercial License accruing after the date of exercising the Lonza Option. In the event that TenX does not exercise the Lonza Option, TenX shall have no rights to the Lonza Intellectual Property or to use the Lonza Materials.

(b) *Limitation on use of Lonza Materials*. Upon TenX's exercise of the Lonza Option, any use by TenX of the Lonza Materials shall be solely for the purpose of Development by TenX or the establishment by TenX of a Manufacturing process for a Product, or, subject to TenX's receipt of an appropriate sublicense under the Lonza Commercial License (or a direct license from Lonza) to use the Lonza Materials for Commercial Manufacturing Purposes (as such term is defined in the Lonza Commercial License). TenX shall have no right to assign, transfer, further sublicense or otherwise make over the benefit or the burden of any rights granted to it pursuant to this Section 4.07, and any sublicense granted to it pursuant to its exercise of the Lonza Option shall be subject and subordinate to the terms of the Lonza Commercial License. Upon TenX's exercise of the Lonza Option, TenX agrees to keep the Lonza Materials supplied to it secure and safe from loss, damage, theft, misuse and unauthorized access and shall procure that the same are made available only to its employees on a need to know basis and subject to the same obligations of confidence as provided in Section 4.07(c) hereof, and to use the same for the sole purpose of any sublicense granted to TenX pursuant to Section 4.07.

(c) *Limitation on use of Lonza Materials Know-How*. Upon TenX's exercise of the Lonza Option, TenX acknowledges that any Lonza Materials Know-How is supplied in circumstances imparting an obligation of confidence and TenX agrees to keep the same secret and confidential and to respect Lonza's proprietary rights therein and to use the same for the sole purpose of this Agreement and not to disclose the same to any third party. Upon TenX's exercise of the Lonza Option, TenX shall ensure that only its employees, and its sublicensees' employees have access to such Lonza Materials Know-How on a need to know basis and that all such employees shall be informed of its secret and confidential nature and shall be subject to the same obligations as TenX under this Section, provided that Genmab will use commercially reasonable efforts to obtain Lonza's consent to allow TenX's consultants and its sublicencee's consultants to have access to such Lonza Materials Know-How on the same basis as TenX's and its sublicensees' employees have access thereto as set forth herein.

Section 4.08 Reservation of Rights. All rights not expressly granted herein are hereby reserved exclusively by Genmab. Nothing in this Agreement shall be deemed to require Genmab to grant rights in or provide a license to any intellectual property or other information not expressly granted or provided for herein.

ARTICLE V

DEVELOPMENT AND COMMERCIALIZATION

Section 5.01 Responsibility for Development.

(a) Except as expressly set forth herein, upon the Closing, TenX shall assume from Genmab and shall be exclusively responsible for all further Development of Product in the Field and the costs associated therewith, and Genmab shall have no responsibilities or obligations with regard to the Development of Product or any costs associated therewith.

(b) Notwithstanding anything in Section 5.01(a) to the contrary, Genmab shall provide to TenX, without any charge or cost to Genmab, all existing Clinical Supplies Manufactured prior to the Effective Date held by Genmab or on its behalf. For the avoidance of doubt TenX shall reimburse Genmab for all its out-of-pocket costs and reasonable FTE costs related to transfer of such Clinical Supplies, after consultation with TenX, including without limitation consultation via e-mails.

(c) TenX shall not commence a Clinical Study for any Product unless TenX has sufficient funds or third party financial commitments to satisfy the initial estimates of conducting such Clinical Study. TenX shall use reasonable and diligent efforts to prepare such initial estimate.

Section 5.02 Responsibility for Commercialization. Except as expressly set forth herein, upon the Closing, TenX shall assume from Genmab and shall be exclusively responsible for the Commercialization of Product in the Field and the costs associated therewith, and Genmab shall have no responsibilities or obligations with regard to the Commercialization of Product or any costs associated therewith.

Section 5.03 Diligence. TenX shall use commercially reasonable efforts to Develop and Commercialize Product in the Field. Such efforts shall include raising and expending sufficient funds for the Development of Product, obtaining Regulatory Approvals for the sale of Product worldwide and actively pursuing Commercialization of Product in each country in which Regulatory Approval is obtained.

Section 5.04 Product Manufacture. Upon the Closing, TenX shall be responsible for all Manufacturing of Product for sale worldwide. TenX agrees to Manufacture Product and to cause Product to be Manufactured in compliance with all Laws.

Section 5.05 Agreements with Third Parties. TenX shall use commercially reasonable efforts to provide that all agreements with third parties regarding the Development and Commercialization of Product are entered into on terms that allow for the transfer or assignment to Genmab in the event of termination of this Agreement.

Section 5.06 Information Regarding Activities. Within fourteen (14) days of the three (3) month anniversary of the Closing, TenX shall provide Genmab with a written report summarizing, in reasonable detail, activities conducted during the prior three (3) months with respect to its, or its sublicensees', Development and Commercialization of each and any Product and thereafter TenX shall provide Genmab with like reports on a quarterly basis. When the registration package requesting Regulatory Approval for commercial sale of each and any Product is first filed in the U.S., the EU or Japan, and when approval is received therefore, in each case, TenX shall immediately notify Genmab in writing.

ARTICLE VI

PAYMENTS, ROYALTIES AND MILESTONES

Section 6.01 Fees. TenX shall pay to Genmab (i) [**] US Dollars ($[**]) at the Effective Date, which amount shall include $[**] for stability testing of the Product and $[**] (or £[**]) in respect of the prorated monthly fee under the Lonza Commercial License, (ii) [**] US Dollars ($[**]) by December 31, 2009 with a five (5) calendar day cure period, (iii) an amount equal to [**] US Dollars ($[**]) by January 31, 2010 with a five (5) calendar day cure period for the amount of [**] US Dollars ($[**]), and a thirty (30) calendar day cure period for the amount of [**] US Dollars ($[**]), subject to a daily Closing Extension Fee of [**] US Dollars (($[**]). The Closing Extension Fee shall be paid daily with a five (5) calendar day cure period. Such amounts shall be non-refundable and non-creditable against any further amounts owed by TenX to Genmab, subject to the termination provisions of Section 9.03.

Section 6.02 Development Milestone Payments. TenX shall pay to Genmab the following one-time payments within thirty (30) days of the first achievement by or on behalf of TenX or its sublicensees of each of the following events. TenX will notify Genmab of the achievement of a milestone event within fifteen (15) days of each such achievement. Any milestone payments shall be non-refundable and non-creditable against any further amounts owed by TenX to Genmab.

Event	Milestone Payment
[**]	$[**] USD
[**] [**] [**]	$[**] USD
[**]	$[**] USD

Section 6.03 Commercial Milestone Payments. TenX shall pay to Genmab the following one-time payments when cumulative worldwide Net Sales of each and any Product first reaches the threshold indicated below within thirty (30) days of the achievement by or on behalf of TenX or its sublicensees. TenX will notify Genmab of the achievement of a milestone event within fifteen (15) days of each such achievement. Any milestone payments shall be non-refundable and non-creditable against any further amounts owed by TenX to Genmab.

Net Sales Threshold	Milestone Payment
Worldwide cumulative Net Sales of $[**] USD	$[**] USD
Worldwide cumulative Net Sales of $[**] USD	$[**] USD
Worldwide cumulative Net Sales of $[**] USD	$[**] USD

Section 6.04 Royalties. TenX shall pay to Genmab, on a quarterly basis, royalty on Net Sales of Product at the following rates:

(i) with respect to Net Sales of a Product in the United States, Genmab will receive an amount equal to:

(A) if royalties are due or are paid in respect of a license to the Cabilly Patent, [**] percent ([**]%) of annual Net Sales up to [**] Dollars ($[**] USD) and [**] percent ([**]%) of Net Sales of [**] Dollars ($[**] USD) or greater, or

(B) if no royalties are due or paid in respect of a license to the Cabilly Patent, [**] percent ([**]%) of annual Net Sales up to [**] Dollars ($[**] USD) and [**] percent ([**]%) of annual Net Sales of [**] Dollars ($[**] USD) or greater; and

(ii) with respect to Net Sales of a Product inside Europe and Asia, Genmab will receive an amount equal to [**] percent ([**]%) of annual Net Sales, provided that, if an amendment to the Medarex License is entered into whereby the Medarex Royalty Rate for any tier under the Medarex License is reduced by [**] or more percentage points, then Genmab will receive [**] percent ([**]%) of annual Net Sales plus [**] of any such reduction for each reduced tier up to a ceiling of [**] percent ([**]%) of any annual Net Sales (said [**] percent ([**]%) including the aforementioned [**] percent ([**]%) royalty); and

(iii) with respect to Net Sales of a Product in the rest of the world, an amount equal to [**] percent ([**]%).

All royalty amounts shall be non-refundable and non-creditable against any further amounts owed by TenX to Genmab. By way of example as to how royalties under Section 6.04(ii) are calculated, please refer to the following table:

	Annual Net Sales in Europe and Asia	Change in Medarex Royalty Rate:	Royalty rate payable to Genmab under Section 6.04(ii):
Portion of Net Sales in Europe and Asia	Up to $[**] USD	[**] percent ([**]%) to [**] percent ([**]%)	[**]
Portion of Net Sales in Europe and Asia	Over $[**] USD	[**] percent ([**]%) to [**] percent ([**]%)	[**]
Portion of Net Sales in Europe and Asia	Over $[**] USD	[**] percent ([**]%) to [**] percent ([**]%)	[**]

Section 6.05 Negotiations with Medarex. If Genmab and Medarex enter into an amendment to the Medarex License specifically with respect to zanolimumab whereby the Medarex Royalty Rate for all or a majority of royalty tiers under the Medarex License is reduced by [**] or more percentage points, then Genmab will pay for all Activity Costs it incurs in negotiating such amendment. If Genmab and Medarex enter into an amendment to the Medarex License whereby the Medarex Royalty Rate for all or a majority of royalty tiers under the Medarex License specifically with respect to zanolimumab is reduced by less than [**] percentage points, then TenX will pay for all Activity Costs incurred by Genmab in negotiating such amendment, such Activity Costs not to exceed $[**]. In all other situations, Genmab and TenX agree to equally divide the Activity Costs incurred by Genmab in negotiating such an amendment. The Parties agree that, prior to the Closing, TenX may communicate directly with Medarex concerning the Medarex Royalty Rate. TenX may negotiate directly with Medarex, without prior notice to Genmab.

Section 6.06 Royalty Term. Royalties shall be payable by TenX on a country-by-country basis from the date of First Commercial Sale of a Product in such country until the later of (i) thirteen (13) years thereafter; or (ii) the expiration (such expiration to occur only after expiration of extensions of any nature to such patents which may be obtained under applicable statutes or regulations in the respective countries, such as supplementary protection certificates, patent extension laws in countries which are similar to the Drug Price Competition and Patent Term Restoration Act of 1984 in the United States) or invalidation of the last remaining patent claim within the Medarex Technology or Licensed Patents in effect in such country that, but for the licenses granted hereunder, would be infringed by the import, use, testing, manufacture, offer to sell or sale of such Product in the Field in such country (such period, the "Royalty Term").

Section 6.07 Royalty Adjustment. For a given Product in, or with respect to, a country where there is no patent claim within the Medarex Technology or Licensed Patents in effect in such country that, but for the licenses granted hereunder, would be infringed by the import, use, manufacture, offer to sell or sale of such Product in the Field in such country, then royalties for such Product shall be calculated using only [**] percent ([**]%) of the percentage royalty rate specified in Section 6.04. Other than as set forth in this Section 6.07, TenX shall not be entitled to make any reduction to the royalties payable to Genmab.

Section 6.08 Sublicense Payments. Unless expressly set forth herein, TenX shall pay to Genmab any and all applicable royalties, milestone fees and other license fees that are to be paid pursuant to the MRC License, the Medarex License and the Lonza Commercial License, including those described on Schedule D hereto, for the applicable term set forth in the respective agreement for the payment of such royalties and fees on the dates required pursuant to Section 6.10(b) or Section 6.10(c). These payments shall be payable in addition to those payments made to Genmab pursuant to Section 6.01 to Section 6.07. These sublicense payments must be paid, but can be subsequently disputed by TenX pursuant to Section 12.14 hereof. If as a result of any such dispute resolution pursuant to Section 12.14 hereof, it is determined that licensors were not entitled to the amounts paid under this Section 6.08, Genmab will make commercially reasonable efforts to request a refund, or otherwise assist, upon TenX's request, TenX to receive such amounts from MRC, Medarex or Lonza, as applicable, and will provide to TenX any amounts returned by the same.

Section 6.09 Third Party Intellectual Property. TenX shall be solely responsible for, in its sole discretion, obtaining any licenses to, and paying compensation for the use of, any intellectual property rights owned or controlled by third parties that are not specifically sublicensed hereunder to TenX and are necessary or useful for the Development and/or Commercialization of Product ("Additional Third Party Royalties"); provided that, if during any calendar year, worldwide annual Net Sales of a Product are less than [**] USD ($[**]), then [**] of any Additional Third Party Royalties (excluding payments made by TenX to third party(s) in respect of intellectual property covering manufacturing processes and other technology that are used in the production, testing and formulation of such Product) due and payable in respect of sales of such Product in the following calendar year shall be deducted from the payments to be made by TenX to Genmab in respect of sales of such Product in such following calendar year so long as such deductions shall not reduce the royalties payable by TenX to Genmab under Section 6.04, Section 6.06 and Section 6.07 below a threshold of [**] percent ([**]%) of Net Sales. Annual worldwide Net Sales shall be calculated on a pro rata basis with respect to a Product that TenX begins to sell within the calendar year.

Section 6.10 Royalty Reports; Payment.

(a) *Reports and Payments to Genmab*. Within thirty (30) days of the end of each calendar quarter during which royalties are payable pursuant to Section 6.04, Section 6.06 and Section 6.07 with respect to a Product (including, for each and any Product in each country, the thirty (30) day period following the end of the calendar quarter in which the Royalty Term for such Product in such country terminates), TenX shall deliver to Genmab a written report showing its computation of royalties due under Section 6.04, Section 6.06 and Section 6.07 on Net Sales during such calendar quarter. Each such report shall set forth: (i) the calculation of royalty-bearing Net Sales of Product by TenX and its sublicensees, if applicable, during the preceding calendar quarter in each country in which such Product were sold, segmented on a country-by-country basis; (ii) the currency conversion rate used and the U.S. dollar-equivalent of such Net Sales; and (iii) the calculation of royalties thereon. The rate of exchange to be used in any currency conversion required in calculating total royalties due pursuant to this Section 6.10(a) shall be the average exchange rate (which rate shall be specified on the report) for the conversion of sales in such foreign currency into U.S. dollars over the calendar quarter for which the report is being prepared. The standard exchange rates that will be used by TenX are the exchange rates published in the Wall Street Journal over the relevant period. Simultaneous with the delivery of the report described in this Section 6.10(a), TenX shall pay to Genmab at such place as Genmab may from time to time designate in cash in immediately available funds all royalties and any milestone fees owed pursuant to Section 6.04, Section 6.06 and Section 6.07 in the preceding calendar quarter. All such payments shall be made in U.S. dollars. If Genmab and Medarex amend the Medarex Royalty Rate, within thirty (30) days of the end of the calendar quarter within which such amendment occurs, TenX shall pay any modified royalty amounts owed to Genmab (and deliver a corresponding royalty report) under Section 6.04, Section 6.06 and Section 6.07, calculated on a pro rata basis and otherwise pursuant to the terms of this Section 6.10(a).

(b) *The MRC License and the Medarex License*. Within fifty (50) days of the end of each calendar quarter during which royalties are payable pursuant Section 6.08, TenX shall deliver to Genmab written reports showing its computation of royalties due to MRC and Medarex under the MRC License and the Medarex

License, respectively; provided that in the case of royalties due under the MRC License in respect of use of the Medarex Technology by TenX, if arrangements have not been made for TenX to pay such royalties directly to Medarex, such royalties shall instead be paid to Genmab at least thirty (30) days before the date on which they are due be paid by Medarex to MRC, but in no event earlier than thirty (30) days of the end of any applicable calendar quarter. Such reports will be clearly presented and shall be in any format and scope required under the MRC License or the Medarex License, as applicable, for the reporting of such royalties. Simultaneous with the delivery of the reports described in this Section 6.10(b), TenX shall pay to Genmab, at such place as Genmab may from time to time designate, in cash in immediately available funds, all royalties, milestone fees and other fees owed to MRC and Medarex in the preceding calendar quarter with respect to such agreements, provided that, TenX agrees to deliver any such payment and reports at least five (5) Business Days prior to the date of any required delivery of such payment or report by Genmab specified in such agreements. All such payments shall be made in U.S. dollars.

(c) *The Lonza Commercial License*. Upon exercise of the Lonza Option, TenX shall deliver to Lonza (with a copy to Genmab) a separate written report showing its computation of royalties due under the Lonza Commercial License. Such report will be clearly presented and shall be in any format and scope required under the Lonza Commercial License for the reporting of such royalties. Simultaneous with the delivery of the report described in this Section 6.10(c), TenX shall pay to Lonza at such place as Lonza may from time to time designate in cash in immediately available funds all royalties and other fees owed to Lonza in the preceding calendar quarter with respect to the Lonza Commercial License. If Lonza requires such payment to be made directly from Genmab, TenX will instead make such payment to Genmab simultaneous with the delivery of the statement in this Section 6.10(c), provided that, TenX agrees to deliver any such report and payment at least five (5) Business Days prior to the specified date of any required delivery of such payment or report by Genmab. TenX shall make payment of all sums due hereunder in pounds sterling.

Section 6.11 Late Payments. Amounts owed under this Agreement which are not paid when due shall accrue interest from the due date until paid, at an annual rate equal to the then prevailing U.S. prime rate, plus [**] percent ([**]%), but in no event exceeding the amount permitted by applicable Law.

Section 6.12 Taxes Withheld. If required by Law, TenX shall deduct from any fee paid hereunder any and all income or other taxes required by Law to be withheld and deducted by any governmental or taxing authority ("Withholding Taxes") with respect to such fee. Any Withholding Taxes so deducted shall be remitted by TenX to the appropriate governmental or taxing authority on a timely basis. Evidence of such payment shall be secured and sent to Genmab within one (1) month of such payment. The Parties shall do all such lawful acts and things and sign all such lawful deeds and documents as either Party may reasonably request from the other Party to enable Genmab and TenX or its Affiliates or sublicensees to take advantage of any applicable legal provision or any double taxation treaties with the object of paying the sums due to Genmab hereunder without withholding or deducting any Withholding Taxes.

ARTICLE VII

INSPECTION

Section 7.01 TenX Records. TenX and its permitted sublicensees shall maintain accurate books and records sufficient to enable the verification of the calculation of royalties payable hereunder, and of royalties payable by under the Medarex License (including the MRC License) and under the Lonza Commercial License with respect to the sale by TenX and it sublicensees of Product, and of Additional Third Party Royalties. TenX and its sublicensees shall retain the books and records for each quarterly period for [**] years after the submission of the corresponding report under Section 6.10.

Section 7.02 Genmab Records. Genmab shall maintain accurate books and records which enable the verification of costs incurred by Genmab, and any other payment made, or cost incurred, by Genmab for which TenX is responsible for reimbursement under this Agreement.

Section 7.03 Audit. Upon [**] days prior notice from a Party (the "Auditing Party"), independent accountants of recognized standing selected by the Auditing Party (and who shall have agreed to be bound by written confidentiality obligations no less protective than those set forth in Section 12.09, or as otherwise agreed by the audited Party and such accountants), and approved by the other Party, with such approval not to be unreasonably withheld, may have access to the books and records of the other Party and its Affiliates and sublicensees, as appropriate, during normal business hours to conduct a review or audit for the purpose of verifying (i) in the case of TenX, the accuracy of TenX's and its sublicensees' payments pursuant to this Agreement and (ii) in the case of Genmab, the accuracy of the costs incurred by Genmab for which TenX is responsible for reimbursement under this Agreement. Such review or audit shall not be conducted more frequently than [**] in any calendar year. Genmab and TenX shall mutually determine a general strategy for such review or audit in advance of its conduct. The non-Auditing Party shall receive a copy of any report issued by the auditors concurrently with receipt by the Auditing Party. All information contained in any such report shall be deemed to be "Confidential Information" of the non-Auditing Party, subject to the terms and conditions of Section 12.09 hereof. If any review or audit performed under this Section shall indicate that any payment due hereunder was underpaid or overpaid, the underpaying or overpaid Party shall promptly pay to the other Party, the amount of such underpayment or overpayment, together with interest thereon from the date such underpayment was due, or overpayment made, at the prime rate reported by the Wall Street Journal on such date plus [**] percent ([**]%). If any review or audit performed under this Section shall indicate that any payment hereunder was in error to the Auditing Party's detriment by more than five percent (5%) for any calendar year, the non-Auditing Party shall pay the cost of such audit.

Section 7.04 Medarex Audit. Upon [**] days prior notice from Medarex, independent accountants selected by Medarex (and who shall have agreed to be bound by written confidentiality obligations no less protective than those set forth in Section 12.09, or as otherwise agreed by the audited Party and such accountants), may have access to the books and records of TenX and its sublicensees during normal business hours to conduct a review or audit for the purpose of verifying the accuracy of Genmab's payments to Medarex with respect to the sale by TenX and its sublicensees of Product and compliance by Genmab with the Medarex License with respect to such payments. If any audit performed under this Section 7.04 shall indicate that any payment due from Genmab to Medarex was underpaid by more than five percent (5%) due to non-compliance by TenX or its sublicensees with this Agreement, TenX shall pay the costs of the inspection and shall be responsible to Medarex for paying such underpayment and, TenX shall promptly pay to Genmab interest on such underpayment from the date such amount(s) were due from Genmab to Medarex, at the prime rate reported by the Wall Street Journal plus [**] percent ([**]%), to defray any interest on such underpayment that Genmab may be obliged to pay Medarex.

Section 7.05 Lonza Audit. TenX shall make available for inspection upon reasonable notice, at all reasonable times during business hours on Business Days, by Lonza or its duly authorized representative (who shall in each case have agreed to be bound by written confidentiality obligations no less protective than those set forth in Section 12.09, or as otherwise agreed by TenX and Lonza or such representative), the books and records of TenX that are necessary to verify the calculation of royalties payable to Lonza under the Lonza Commercial License.

ARTICLE VIII

PATENT PROSECUTION AND ENFORCEMENT

Section 8.01 Filing, Prosecution and Maintenance of Patents. As between the Parties, Genmab shall have the sole right and responsibility for filing, prosecuting and maintaining any Licensed Patents and any patents and patent applications within the Medarex Technology relating to the Compound or any Product, and for any interferences, substitutions, extensions (including supplementary protection certificates), oppositions, registrations, confirmations, reissues, continuations, divisionals, continuations-in-part, re-examinations, renewals or the like thereof or thereto, any patents or patent applications claiming priority from such patents and patent applications, and any foreign counterparts of any of the foregoing, in each case, filed and/or pending as of the Closing. TenX shall pay to Genmab on a monthly basis an amount equal to

all its Activity Costs and FTE Costs; provided such Activity Costs and FTE Costs which apply to patent family P/24 listed on Schedule B covering compounds other than Compound or Product shall be pro-rated for the number of compounds covered therein for purposes of this Agreement in conducting such activities commencing from the Effective Date. The Parties agree that currently P/24 covers [**] in addition to the Compound. Genmab shall provide budget estimates of the Activity Costs and FTE Costs on a yearly basis it being understood that uncertainties exist as to which events will take place and when, and the amount of work associated herewith. In case of an estimated Activity Cost above [**] US Dollars ($[**]) TenX shall pay such cost in advance upon the request of Genmab. Subject to the rights of Genmab's licensors, TenX shall have the sole right and responsibility for filing, prosecuting and maintaining any patents and patent applications for all inventions that are made by it or on its behalf (including those of Genmab's employees performing services pursuant to this Agreement) relating to the Compound or any Product, and for any interferences, substitutions, extensions (including supplementary protection certificates), oppositions, registrations, confirmations, reissues, continuations, divisionals, continuations-in-part, re-examinations, renewals or the like thereof or thereto, any patents or patent applications claiming priority from such patents and patent applications, and any foreign counterparts of any of the foregoing, filed after the Closing, at its sole cost and expense. TenX shall keep Genmab informed of any developments regarding any patents or patent applications filed under this Section 8.01 in the written quarterly report provided under Section 5.06.

Section 8.02 Cooperation. Each Party agrees to reasonably assist and co-operate with the other Party's filing, prosecution and maintenance responsibilities under Section 8.01, and shall provide any necessary information in its possession which would facilitate the submission, prosecution, grant and maintenance of the other's patents and patent applications. TenX shall not take any position with respect to its prosecution activities that would compromise or is reasonably likely to directly and adversely affect the scope, validity or enforceability of any Licensed Patent or the patents and patent applications within the Medarex Technology and shall provide Genmab with the opportunity, reasonably in advance of any filing deadlines, to comment thereon and consult with Genmab about, and consider in good faith the requests and suggestions of Genmab concerning, such prosecution activities.

Section 8.03 Abandonment. Prior to abandoning any patent or patent application relating to the Compound or any Product in any country as described in Section 8.01(b), TenX shall notify Genmab at least sixty (60) days prior to the expiration of any deadline relating to abandonment and provide Genmab with an opportunity to assume responsibility for such patent or patent application. Upon Genmab's assumption, TenX shall execute such documents of transfer or assignment and perform such acts as may be reasonably necessary to transfer ownership of such patent or patent application to Genmab and to enable Genmab to continue prosecution or maintenance of such patent or patent application. TenX shall make its sublicensees comply with this.

Section 8.04 Notification; Enforcement. Each Party, on behalf of itself, its Affiliates and its sublicensees, shall promptly notify the other Party in writing and provide the other Party with all relevant background facts upon becoming aware of: (i) any use of, or any application or registration for, any technology that does or may conflict with any of the intellectual property filed for, licensed or sublicensed hereunder, (ii) any misuse or act of infringement or misappropriation involving any of the intellectual property filed for, licensed or sublicensed hereunder, (iii) any challenges as to the validity of the Licensed Patents or of the patents and patent applications within the Medarex Technology relating to the Compound or any Product or (iv) any claim or action, whether or not made in a lawsuit, that the manufacture, importation, sale or use of a Product covered by this Agreement infringes or otherwise violates or conflicts with the other rights of any other Person. Neither Party shall give any notification of infringement or misappropriation or take any other action alleging infringement or misappropriation by others of any of the intellectual property filed for, licensed or sublicensed hereunder without obtaining the prior written authorization of the other Party. As between the Parties, TenX shall have the first right, but not the obligation, to take action against third parties in the courts, administrative agencies or otherwise, at TenX's sole cost and expense, to prevent or terminate misuse, infringement, misappropriation, imitation or other illegal use of, or to defend, the intellectual property filed for, licensed or sublicensed hereunder, except for the Licensed Patents, for which Genmab shall have the first right, but not the obligation, to take action against third parties, at its own expense and except for patents and patent applications within the Medarex Technology which shall be handled pursuant to the Medarex License. Neither Party shall enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the rights of the other Party or its licensors without the prior written consent of the other Party, which may be granted or withheld in such other Party's sole discretion. Each Party shall reasonably cooperate with the enforcing Party (the "Enforcing Party") in any action, suit or proceeding that the Enforcing Party may undertake under this Section 8.04 (including executing, filing and delivering all documents and evidence reasonably requested by the Enforcing Party) and shall lend its name to such action, suit or proceeding if reasonably requested by the Enforcing Party or required by Law. All reasonable out-of-pocket expenses incurred by the non-Enforcing Party in connection therewith shall be reimbursed by the Enforcing Party. The non-Enforcing Party shall have the right to participate and be represented in any such action, suit or proceeding by its own counsel at its own expense.

Section 8.05 Withdrawal of Enforcement. If the Enforcing Party subsequently ceases to pursue or withdraws from any action, suit or proceeding undertaken under this ARTICLE VIII, it shall notify the other Party in advance of such withdrawal and the other Party may substitute itself for the withdrawing Enforcing Party under the terms of this ARTICLE VIII.

Section 8.06 Recoveries. All damages or other compensation of any kind recovered in any action, suit or proceeding undertaken under this ARTICLE VIII, or from any settlement or compromise thereof, shall be for the benefit of the Enforcing Party, or in the event of a withdrawal by the Enforcing Party under this ARTICLE VIII, shall be apportioned between the Parties in an amount proportional to the amount paid by each such Party with respect to its costs and expenses in bringing such action, suit or proceeding.

ARTICLE IX

TERM AND TERMINATION

Section 9.01 Term. This Agreement shall be in force and effect from the Effective Date and shall continue in force and effect until all the patents in the Medarex License sublicensed hereunder have expired and thereafter on a Product by Product and country-by-country basis until the end of the last-to-expire Royalty Term in each such country with respect to each such Product, unless this Agreement is terminated at an earlier date pursuant to Section 9.02, Section 9.03, Section 9.04 or Section 9.05 hereof (the period during which this Agreement is in force, hereinafter the "Term").

Section 9.02 Termination for Breach. TenX may terminate this Agreement, and the rights and licenses granted hereunder, with [**] days prior notice to Genmab, if Genmab breaches any material provision of this Agreement, unless Genmab cures such breach or grounds for termination within the period of such notice.

Section 9.03 Genmab's Termination Rights. This Agreement shall be terminable by Genmab forthwith upon the sending of notice in writing to TenX upon the occurrence of one or more of the following events:

(a) *Failure to Make Certain Payments*. (i) If TenX fails to (x) make any payments due under ARTICLE VI (other than payments due to Genmab's licensors under Section 6.08 or to Genmab under Section 6.01) within [**] Business Days of TenX receiving notice of a defaulted payment from Genmab, provided that such payment is not the subject of dispute resolution proceedings pursuant to Section 12.14, or (y) if TenX fails to make any disputed payment within [**] days of resolution of the dispute pursuant to Section 12.14 hereof, or (ii) if TenX fails to make any payments due under Section 6.01 or Section 6.08 within the cure periods provided for or referred to in those sections;

(b) *Improper Assignment*. If this Agreement or any of the rights granted by Genmab to TenX hereunder is assigned, sublicensed, transferred, pledged or otherwise disposed of by TenX or its sublicensees in violation of the terms of this Agreement, or any attempt is made by TenX or its sublicensees to make any assignment, transfer, sublicense, pledge or other disposition hereof in violation of the terms of this Agreement;

(c) *Discontinuation*. If TenX discontinues Development and/or Commercialization of Product with no apparent intent to resume such use;

(d) *Bankruptcy*. If TenX files in any court or agency pursuant to any Law of any state, country or jurisdiction, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of TenX or of its assets, or if TenX proposes a written agreement of composition or extension of its debts, or if TenX is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed or stayed within sixty (60) days after the filing thereof, or if TenX proposes or becomes a party to any dissolution or liquidation, or if TenX makes an assignment for the benefit of its creditors, or otherwise becomes bankrupt or insolvent; or

(e) *Breach*. In the event that TenX performs or fails to perform an act that would in of itself be considered a material breach of or default under the Medarex License, if such act was performed or failed to be performed by Genmab, or (ii) causes Genmab to be in material breach of or default under the Medarex License, and, in the cases of (i) or (ii), such action or inaction by TenX has continued uncured for [**] days after written notice thereof was provided to it by Genmab.

Section 9.04 TenX's Termination Rights. After the Closing has occurred, TenX may terminate this Agreement at any time upon one hundred and eighty (180) days written notice to Genmab, provided that such termination shall not relieve TenX of its obligations under this ARTICLE IX, including Section 9.06(b) and Section 9.06(e)(v).

Section 9.05 Termination for Failure to Close. This Agreement may be terminated by either Party at any time prior to the Closing if the Closing shall not have occurred by January 31, 2010 or within the thirty (30) day cure period, if applicable ; provided, however, that the right to terminate this Agreement under this Section shall not be available to any Party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to this date.

Section 9.06 Effects of Termination.

(a) *Reversion of Rights*. In the event this Agreement terminates after the Closing, all rights of Development, Manufacturing and Commercialization for any Product shall revert to Genmab. In the event this Agreement terminates prior to the Closing, all rights of Development, Manufacturing and Commercialization for any Product shall remain with Genmab, with no license or appurtenant rights thereto having ever been granted to TenX. Notwithstanding the foregoing, the Parties shall remain liable for complying with any terms of this Agreement that survive termination in all circumstances.

(b) *Accrued Rights and Obligations*. Termination of this Agreement shall not release either Party from its obligations accrued prior to the effective date of termination nor deprive either Party from any rights that this Agreement provides shall survive termination. The provisions of this Section 9.06, ARTICLE VII, ARTICLE XII, Section 10.04, shall survive any termination of this Agreement.

(c) *Sublicensees*. In the event the licenses granted to TenX under Section 4.01 hereof terminate for any reason, each of TenX's sublicensees at such time shall cease to have the rights and license set forth in its sublicense agreement and such agreements shall immediately terminate, unless Genmab has indicated to TenX that it intends to continue such sublicense as a party thereto.

(d) *Inventory*. Upon any termination of this Agreement, TenX and its sublicensees shall have the right to sell their inventory of any Commercial Supplies that was subject to the licenses granted to TenX under Section 4.01 hereof for a period of [**] months from the date of termination provided TenX complies with the provisions of ARTICLE VI and ARTICLE VII hereof and the other terms and conditions of this Agreement that relate to the sale of the Product.

(e) *Cessation of Use of Technology and Product*. Subject to the rights of TenX pursuant to Section 9.06(d), upon any termination of this Agreement:

(i) TenX shall promptly return or furnish to Genmab all Licensed Technology in TenX's or its sublicensees' possession or control;

(ii) TenX shall promptly return or furnish to Genmab all then remaining Product (including Clinical Supplies and Commercial Supplies) at no cost to Genmab (except that Genmab shall reimburse TenX for its reasonable and documented transfer costs), except to the extent that TenX has otherwise obtained Genmab's written consent to use and retain such Product;

(iii) TenX, its Affiliates and its sublicensees shall immediately cease to use and thereafter refrain from using the Licensed Technology and the Medarex Technology;

(iv) save as expressly provided herein, all rights of TenX hereunder and all licenses granted to TenX hereunder shall forthwith cease and terminate and, where applicable, TenX shall assist Genmab in taking all steps necessary for the removal of the name of TenX, its Affiliates and its sublicensees from any patent register at any patent office where a patent license has been recorded; and

(v) to the extent not prohibited by Law, TenX shall wind down any Clinical Studies that are underway with respect to any Product, taking into account the health and safety of the subjects enrolled therein, or, at Genmab's option, transfer such Clinical Trials to Genmab at Genmab's sole cost and expense. In such circumstances, the Parties shall promptly take any and all necessary acts and enter into such amendments to existing agreements in order to fulfill local and international reporting obligations to Regulatory Authorities.

(f) *Transfer of INDs, Regulatory Approvals, Agreements, Materials and Trademarks*. In the event the licenses granted to TenX under Section 4.01 hereof are terminated by Genmab pursuant to Section 9.03:

(i) TenX shall provide to Genmab or Genmab's nominee(s) a copy of, and shall, at TenX's cost and expense, transfer, or cause to be transferred, to Genmab or Genmab's nominee(s) ownership of all INDs, New Product Applications and Regulatory Approvals and any other regulatory filings for each and any Product held by or on behalf of TenX, its Affiliates and sublicensees. Until such transfer is effected or if such transfer is not possible for legal or regulatory reasons, TenX shall ensure that Genmab has the benefit of such INDs, New Product Applications and Regulatory Approvals. TenX shall consent and, where necessary, cause its Affiliates to consent, for any relevant Regulatory Authority to cross-reference such data and information contained in such INDs, New Product Applications and Regulatory Approvals as may be necessary for the granting of second INDs, New Product Applications and Regulatory Approvals to Genmab or its nominee(s);

(ii) to the extent TenX, its Affiliates or its sublicensees are Developing, registering, Manufacturing or Commercializing Product upon such termination of this Agreement, to the extent requested by Genmab in writing, TenX or its sublicensees will assign to Genmab or its nominee, at TenX's cost and expense, any agreements between TenX, its Affiliates or sublicensees and third parties that relate solely to such Developing, registering, Manufacturing and/or Commercializing activities; and, in addition, to the extent requested by Genmab in writing, TenX shall transfer to Genmab or its nominee(s) any biological materials and other materials (e.g., master cell lines, master cell banks, culture media, resins, etc.) necessary for the Manufacture of each and any Product that are owned or Controlled by TenX, its Affiliates or its sublicensees, in which case Genmab shall pay to TenX a reasonable price for such materials as well as TenX's out-of-pocket costs for shipping such materials;

(iii) to the extent requested by Genmab in writing, TenX shall transfer, at TenX's cost and expense, and Genmab shall assume all responsibilities for any and all trademark registrations that have been filed by TenX, its Affiliates and sublicensees for use with such Product (except for trademark registrations relating to their corporate names, logos, styles and images) and may deal with such registrations in its sole discretion and, in countries where the relevant trademarks have not been registered, Genmab shall be transferred all TenX's, its Affiliates' and its sublicensees' rights to use such unregistered trademarks in such countries;

(iv) TenX shall transfer, or cause to be transferred, at TenX's cost and expense, to Genmab or Genmab's nominee(s), the safety database regarding the Compound, including any Adverse Event data for each and any Product; and

(v) upon Genmab's request, TenX shall, pursuant to a Manufacturing and supply agreement to be negotiated by the Parties in good faith, provide Genmab, at Genmab's sole cost and expense, with Clinical Supplies or Commercial Supplies until the earlier of (a) such time as Genmab or its designee has established and validated a manufacturing process for the Product, or (b) [**] from the effective date of termination at a reasonable cost mutually agreed upon by the Parties. Notwithstanding anything expressed or implied in any provision of Section 9.06 to the contrary, TenX shall not have any obligation to perform any obligation under Section 9.06 to the extent that any such performance would cause TenX to violate any rights held by a third party or to violate any Laws, or, in the case that any such performance by TenX involves the granting or transfer of any right to Genmab to the extent that TenX does not have the power or right to effect such grant or transfer.

(g) *License Upon Termination*. In the event of any termination of this Agreement in its entirety for any reason, TenX hereby agrees to negotiate with Genmab in good faith, and shall cause its Affiliates and sublicensees to negotiate with Genmab in good faith, the granting of a license in the Field to Genmab under any patents or know-how owned or Controlled by TenX, its Affiliates or its sublicensees to the extent necessary to make, have made, import, use, offer to sell and sell each and any Product.

Section 9.07 Cumulative Rights and Remedies. Any right to terminate this Agreement shall be in addition to and not in lieu of all other rights or remedies that the Party giving notice of termination may have at law or in equity or otherwise.

ARTICLE X

REPRESENTATIONS AND WARRANTIES; COVENANTS

Section 10.01 Representations and Warranties. Each Party represents and warrants to the other Party that (i) it has the requisite corporate power and authority to execute and deliver this Agreement; (ii) the execution, delivery and performance of this Agreement by it and the consummation by it of the transactions contemplated hereby have been duly authorized and approved by all necessary board and shareholder action; (iii) the fulfillment of its obligations and performance of its activities hereunder do not materially conflict with, violate, or breach or constitute a default under any material contractual obligation or court or administrative order by which it is bound; and (iv) all necessary consents, approvals and authorizations of all government authorities and other third parties required to be obtained by it as of the Effective Date in connection with the execution, delivery and performance of this Agreement have been obtained.

Section 10.02 Representations and Warranties of Genmab. Genmab represents and warrants to TenX that as of the Effective Date:

(a) to the Knowledge of Genmab, there are no judgments, settlements or warning letters (except as set forth in Schedule 10.02(a)) against or by Genmab or pending legal claims or litigation, in each case, against or by Genmab, relating to the Product or to the Licensed Patents;

(b) to the Knowledge of Genmab, it is the exclusive owner of all right, title and interest in and to the Licensed Patents and it is the exclusive licensee of or otherwise Controls the right, title and interest in and to the Licensed Know-How, in each case free and clear of any lien, mortgage, pledge or any other encumbrance, and has the right to grant to TenX the licenses that it purports to grant hereunder and has not granted any third party rights that would interfere or be inconsistent with TenX's rights hereunder;

(c) except for the Upstream Agreements, Genmab is not a party to other agreements to which TenX would need a license or sublicense in order for TenX to make, have made, import, use, offer to sell and sell the Compound or the Product for the CTCL and NCTCL indications as currently contemplated by this Agreement;

(d) Genmab has disclosed to TenX all existing patent rights of any third party of which Genmab is aware and which, to the Knowledge of Genmab, would or may be relevant to the use (including making, have made, import, use, offer to sell and sell) of the Compound or the Product for the CTCL and NCTCL indications as currently contemplated to be conducted and formulated by Genmab for such indications;

(e) the Licensed Patents are the only patents owned by Genmab which have claims that cover the Compound or the Product as it is currently contemplated to be formulated by Genmab (except for other patents and patent applications owned by Genmab which may have claims to anti-CD4 antibodies in combination with other antibody products);

(f) Genmab has not filed regulatory documentation with the FDA nor EMEA in the intervening period between July 1, 2009 and the Effective Date. Genmab represents and warrants that the US IND for the Compound is still in effect as per May 6, 2009.

(g) To the knowledge of Genmab, Genmab has not taken any active steps to destroy or discard the Product materials. In connection with this it should be specifically noted that Genmab does not have any obligation to perform stability testing of the Product materials, but will assist TenX to facilitate this in short period until transfer of Product materials has taken place upon advance payment by TenX to Genmab,

(h) Genmab represents and warrants to TenX that as of the Effective Date, (i) the Upstream Agreements are in full force and effect (except that the Lonza Commercial License will only remain in full force and effect provided TenX has exercised the Lonza Option and made the payment pursuant to Section 2.03), (ii) to the Knowledge of Genmab, it is not in material breach of any of the provisions of any of the Upstream Agreements, nor does there exist any condition that, to the Knowledge of Genmab, with passage of time or sending of notice would constitute a material breach by Genmab of any of the provisions of the Upstream Agreements, (iii) Genmab is not aware of any material breach of the Upstream Agreements by any other party thereto, and (iv) Genmab has not waived any material rights under any Upstream Agreement material to the Product.

Section 10.03 Disclaimer. NO OTHER REPRESENTATION OR WARRANTY OF ANY NATURE SHALL EXTEND OR BE IMPLIED HEREIN AND THE PARTIES SPECIFICALLY DISCLAIM ANY AND ALL OTHER WARRANTIES, IMPLIED OR OTHERWISE, INCLUDING WARRANTIES OF NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE. NOTWITHSTANDING ANYTHING CONTAINED HEREIN, NO PARTY SHALL BE LIABLE TO ANOTHER FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, LOSS OF BUSINESS OPPORTUNITY OR LOST PROFITS OF ANY KIND.

Section 10.04 Representations and Warranties of TenX. TenX hereby represents and warrants to Genmab as follows: TenX has conducted its own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, technology and prospects of the Compound (such investigation, review and analysis including but not limited to the Clinical Studies, the Licensed Technology, and the Upstream Agreements), which investigation, review and analysis was done by TenX and its representatives. TenX acknowledges that it and its representatives have been provided adequate access to the personnel, properties, premises and records of Genmab for such purpose. In entering into this Agreement, TenX acknowledges that it has relied solely upon the aforementioned investigation, review and analysis and not on any factual representations or opinions of Genmab or its representatives (except the specific representations and warranties of Genmab set forth in Article X and the schedules thereto). TenX hereby acknowledges and agrees that (a) other than the representations and warranties made in Article X, none of Genmab, its Affiliates, or any of their respective officers, directors, employees or representatives make or have made any representation or warranty, express or implied, at law or in equity, with respect to Compound, the Clinical Studies, the Licensed Technology or the Upstream Agreements, and (b) other than the indemnification obligations of Genmab set forth in Article XI, none of Genmab, its Affiliates, or any of their respective officers, directors, employees or representatives will have or be subject to any indemnification obligation to TenX or to any other Person resulting from or arising out of the distribution to TenX, its Affiliates or representatives of, or the TenX's use of, any information relating to the Compound, the Clinical Studies, the Licensed Technology or the Upstream Agreements, and any information, documents or material made available to the TenX, whether orally or in writing, in certain "data rooms," management presentations, functional "break-out" discussions, responses to questions submitted on behalf of the TenX or in any other form in expectation of the transactions contemplated by this Agreement.

Section 10.05 Insurance Covenant. (a) As part of the Transfer Plan, Genmab and TenX shall agree in good faith how to best ensure insurance coverage with respect to those Clinical Studies for which sponsorship will be transferred to TenX, it being understood that TenX shall pay (or reimburse Genmab) for all such insurance costs incurred after the Closing; provided that (i) Genmab shall maintain, at its expense, in full force and effect, all existing insurance with respect to any Clinical Studies or activities performed by Genmab (or Ares Trading S.A.) prior to the Closing involving the Compound and the Product, and after the Closing shall maintain at its own expense in full force and effect, "tail" coverage for all activities relating to the Compound and the Product prior to the Closing and (ii) Genmab shall not be required to incur any expenses with respect to such existing insurance that Genmab would not have incurred if the applicable Clinical Study had been closed down. The tail coverage shall be maintained as required by applicable Law and in accordance with Genmab's policy and procedure as previously disclosed to TenX to maintain master insurance for [**] years after a clinical trial ends. Genmab agrees to furnish TenX current effective certificates of insurance evidencing the same prior to the Closing and from time to time during the Term. With respect to those Clinical Studies for which sponsorship will not be transferred to TenX, Genmab shall maintain, at its expense, in full force and effect, all existing insurance with respect to any Clinical Studies or activities performed by Genmab (or Ares Trading S.A.) and shall comply with its existing policies and procedures regarding insurance, including the master insurance referred to above.

(b) Prior to any use of a Product, TenX shall acquire and maintain, and cause each sublicensee to acquire and maintain, at their own respective expense, in full force and effect throughout the Term, products and contractual liability, and comprehensive liability insurance, including insurance coverage for any and all subjects enrolled in Clinical Studies, with respect to its Development and Commercialization of a Product, in each case that is reasonably satisfactory to Genmab. TenX agrees to furnish Genmab current effective certificates of insurance evidencing same prior to any use of the Product and from time to time.

Section 10.06 Upstream Agreement Covenant. Genmab will not amend, terminate or waive any rights under any Upstream Agreement to the prejudice of TenX during the Term, without the prior written consent of TenX. Genmab will use good faith efforts to fulfill all of its obligations under the Upstream Agreements and to exercise and enforce its rights under the Upstream Agreements in a manner consistent with the intent and terms of this Agreement so as to afford TenX the benefits of the Upstream Agreements as contemplated hereunder. Genmab shall furnish to TenX copies of all notices received by Genmab under or relating to the Upstream Agreements and that relate to the Product or otherwise could affect TenX within five (5) Business Days of Genmab's receipt thereof. Copies of all notices to be communicated by Genmab under or relating to the Upstream Agreements which relate to the Product or could otherwise affect TenX will be provided to TenX five (5) Business Days prior to delivery and Genmab will consider TenX's comments thereon in good faith.

ARTICLE XI

INDEMNITY

Section 11.01 Indemnification. (a) *Genmab*. Genmab agrees to defend, indemnify and hold TenX and its Affiliates, and their directors, officers, employees, and agents harmless from all claims, demands, suits, causes of action, losses, damages, judgments, costs and expenses (including reasonable attorneys' fees) ("Losses") arising out of or resulting from (i) any breach by Genmab of this Agreement, including any breach or inaccuracy of a representation, warranty or covenant; or (ii) Genmab's negligence or willful misconduct or violation of Law, in each case unless such claims or disputes are primarily a result of TenX's negligence or willful misconduct.

(b) *TenX*. TenX agrees to defend, indemnify and hold Genmab and its Affiliates, and their directors, officers, employees, and agents harmless from all Losses arising out of or resulting from (i) any breach by TenX, its Affiliates or its sublicensees of this Agreement, including any breach or inaccuracy of a representation, warranty or covenant, (ii) any claims or disputes arising or any cost incurred prior to the Closing from and relating to the Development, testing, Manufacture, import, use, distribution of Commercialization of Product or delivered Licensed Materials, (iii) any breach caused by TenX, its Affiliates or its sublicensees of the terms of the Upstream Agreements, or (iv) any claims or disputes relating to the Development, testing, manufacture, import, use, distribution or Commercialization of Product or delivered Licensed Materials unless such claims or disputes are primarily a result of Genmab's negligence or willful misconduct.

(c) Neither TenX nor any Affiliate or assignee of TenX shall have any claim or recourse against Genmab or its directors, officers, employees, Affiliates, controlling persons, agents, advisors or representatives with respect to any breach of any representation, warranty, covenant or agreement in this Agreement if TenX or any Affiliate or representative of TenX had, prior to the execution of this Agreement, actual knowledge of any breach by Genmab of such representation, warranty, covenant or agreement. The maximum amount of indemnifiable Losses which may be recovered from either party arising out of or resulting from the causes set forth in Section 11.01(a) or Section 11.01(b), as applicable, shall be an amount equal to four million five hundred thousand USDollars ($4,500,000).

(d) *Procedure*. Each Party (the "Indemnified Party") shall promptly notify the other (the "Indemnifying Party") of any demand, claim, suit, proceeding or action giving rise to rights of indemnification subject to the provisions of this Section. The Indemnifying Party shall have the right to defend, settle or compromise any such demand, claim, suit, proceeding or action, at its cost and expense. The Indemnified Party shall cooperate, at the Indemnifying Party's reasonable cost, with the Indemnifying Party in the defense, settlement or compromise of any such demand, claim, suit, proceeding or action, including by making available to the Indemnifying Party all pertinent information and personnel under its or their control. The Indemnifying Party shall not settle or compromise any such demand, claim, suit, proceeding or action in a manner that admits any wrongdoing by or imposes any restrictions or obligations on an Indemnified Party without the Indemnified Party's prior consent, which consent shall not be unreasonably withheld or delayed.

ARTICLE XII

GENERAL PROVISIONS

Section 12.01 Amendment and Waiver. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by all Parties hereto or, in the case of a waiver, by the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder (other than a failure or delay beyond a period of time specified herein) shall operate as a waiver thereof and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights, remedies, undertakings, obligations and agreements herein provided shall be cumulative and none of them shall be in limitation of any other remedy, right, undertaking, obligation or agreement of either Party.

Section 12.02 Force Majeure. If the performance of this Agreement or of any obligation hereunder (other than an obligation to make payments hereunder) is prevented, restricted or interfered with by reason of any acts or circumstances beyond the reasonable control of the obligated Party, the obligated Party shall be excused from such performance to the extent of such prevention, restriction or interference; provided, however, the obligated Party shall promptly advise the other Party of the existence of such prevention, restriction or interference, shall use its commercially reasonable efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder whenever such causes are removed.

Section 12.03 Notices. All notices, reports, requests or demands required or permitted under this Agreement shall be sent by air courier or by facsimile, with confirmed transmission, properly addressed to the Parties as follows:

If to Genmab:

457 N. Harrison St.

Princeton, NJ 08540, USA

Attn: Lisa N. Drakeman, President & CEO

Fax: +1 609 430-2482

Phone: +1 609 430-2841

with a copy to

Bredgade 34

DK-1260 Copenhagen K, Denmark

Attn: Birgitte Stephensen, VP, IPR & Legal

Fax: +45 7020 2729

Phone: +45 7020 2728

If to

TenX Biopharma, Inc.

109 N. Orianna St.

Philadelphia, PA 19106

Attention: Gardiner Smith

Fax: +215-827-5500

Phone: 304-982-1240

with a copy to:

Torys LLP

237 Park Avenue

20th Floor

New York, NY 10017.3142

Attn: Cheryl V. Reicin, Esq.

Fax: 416-865-7380

Phone: 212-880-6067

or to such addresses or addresses as the Parties hereto may designate for such purposes during the Term. Notices shall be deemed to have been sufficiently given or made: (i) if by facsimile with confirmed transmission, when performed, and (ii) if by air courier upon receipt by the Party.

Section 12.04 Independent Contractors. No agency, partnership or joint venture is hereby established; each Party shall act hereunder as an independent contractor. Neither Genmab nor TenX shall enter into, or incur, or hold itself out to third parties as having authority to enter into, or incur, on behalf of the other Party any contractual obligations, expenses or liabilities whatsoever.

Section 12.05 Assignment. This Agreement shall be binding upon the Parties and their respective permitted successors and assigns. This Agreement and any rights or licenses granted hereunder shall not be assigned or transferred by TenX, in whole or in part, including by operation of law, merger or otherwise, without the express

written consent of Genmab (which consent shall not be unreasonably withheld), provided TenX may assign this Agreement to any Affiliate or may otherwise assign market distribution rights on a country-by-country basis to any third party or to any Affiliate without further consent from Genmab. After Closing Genmab may assign or transfer this Agreement, in whole or in part, to another party; provided, however, that, in connection with such assignment, Genmab also assigns any corresponding rights and obligations, or sublicenses any corresponding rights and delegates any corresponding obligations, under the Lonza Commercial License and the Medarex License to such party (including its rights and obligations under the Cross-License and the MRC License) and assigns to an entity reasonably satisfactory to TenX which has the ability to reasonably perform Genmab's obligations thereunder. Any attempted assignment, delegation or transfer in contravention of this Agreement shall be null and void. For purposes of clarity, a change of stock ownership by a Party shall not be regarded as an assignment.

Section 12.06 No Third-Party Beneficiary. This Agreement shall be binding upon and inure solely to the benefit of the Parties and their permitted assigns and successors, and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity, any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Agreement.

Section 12.07 Use of Name. Neither Party may use in any manner the other Party's name or insignia, or any contraction, abbreviation or adaptation thereof, without the express written consent of the other Party.

Section 12.08 Press Releases and other Public Announcements.

(a) *Public Announcements*. Upon Closing, each Party shall have the right to issue a press release in a form and substance mutually reasonably agreeable to the Parties. Except to the extent already disclosed in such initial press releases or, subject to Section 12.08(b), required by Law, neither Party shall make any public announcements concerning this Agreement or the subject matter hereof without the prior written consent of the other Party, which shall not be unreasonably withheld. However, consent shall be deemed to be given to a public announcement by a Party upon achievement of any milestone listed in ARTICLE VI or otherwise if the other Party does not object to the release of such public announcement within ten (10) days of receipt of a draft of any other proposed announcement. Press releases as set forth above may contain references to major shareholders of TenX.

(b) *Legally Required Announcements*. If in the reasonable opinion of a Party's legal counsel a public announcement concerning this Agreement or the subject matter hereof is legally required by applicable Laws (including the rules or regulations of a stock or securities exchange on which the securities of such Party or its Affiliates are listed or quoted), then the Party wishing to make such announcement will provide the other Party notice reasonable under the circumstances of such intended announcement, and to the extent feasible under the circumstances will consult with the other Party relative to the nature and scope of such intended announcement. If either Party concludes that a copy of this Agreement must be filed with the U.S. Securities and Exchange Commission, or with any other governmental or regulatory authority, it will provide the other Party a copy of the Agreement showing any sections as to which it proposes to request confidential treatment, will provide the other Party an opportunity to comment on such proposal and will give due consideration to any reasonable comments by the other Party relating to such filing.

Section 12.09 Confidential Information.

(a) *Obligations*. For the purpose of this Agreement, the term "Confidential Information" shall mean any information disclosed by either Party to the other pursuant to this Agreement or the LOI, including the terms and conditions of this Agreement and the LOI. Each Party (i) shall hold Confidential Information it has received in confidence during the Term and until such time that the relevant information is no longer deemed Confidential Information of the disclosing Party, pursuant to this Section 12.09(a) (except that, in the case of Confidential Information disclosed by Genmab and identified by Genmab as being Confidential Information which has been furnished by Medarex or its affiliates pursuant to the Medarex License, or by Lonza or its affiliates pursuant to the Lonza Commercial License, or by MRC or its affiliates pursuant to the MRC License, TenX shall hold such Confidential Information in confidence during the Term and thereafter until the later of (x) the date which is [**] years after the end of the Term, or (y) the date which is [**] years after the end of the respective term of the Medarex License, the Lonza Commercial License or the MRC License), (ii) shall use such Confidential Information only for performance of its obligations under this Agreement, and (iii) shall not disclose such Confidential Information to third parties without the consent of the disclosing Party. For the purposes of this Agreement, Confidential Information shall not include information that: (1) was known to the receiving Party or its Affiliates prior to disclosure by the disclosing Party (other than through disclosure on a confidential basis by the disclosing Party or its Affiliates) as evidenced by the receiving Party's or its Affiliates' prior written records; (2) is disclosed to the receiving Party or its Affiliates by a third party, except if such disclosure is made on a confidential basis or, to the receiving Party's knowledge, in violation of a confidentiality obligation to the disclosing Party or its Affiliates; (3) is or becomes public knowledge other than by the receiving Party's breach of this confidentiality obligation; or (4) the receiving Party or its Affiliates independently develops or discovers without use of or reference to the Confidential Information as evidenced by written records.

(b) *Permitted Disclosure*. Notwithstanding Section 12.09(a): (i) the receiving Party or its Affiliates may disclose Confidential Information to governmental or regulatory authorities to the extent necessary for the purpose of seeking Regulatory Approval of Product and any pricing, insurance, reimbursement and formulary approvals, licenses, registrations or authorizations thereof pursuant to this Agreement; (ii) subject to Section 12.09(c), the receiving Party or its Affiliates may disclose Confidential Information to its employees, agents, sublicensees who have a need to know to effectuate the Development and Commercialization of Product pursuant to this Agreement; (iii) disclosures made pursuant to Section 12.09(c) hereof, (iv) the receiving Party or its Affiliates may disclose the disclosing Party's Confidential Information in connection with filing or prosecuting patent applications or any other which relates to the Compound and/or the immunoconjugates, fragments or derivatives thereof, or Product; (v) Genmab may disclose TenX's Confidential Information to Medarex or its assigns to the minimum extent necessary to comply with Genmab's obligations under the Medarex License, the Cross-License or the MRC License (including with respect to the grant of sublicenses and reporting of activities) or to demonstrate that it is complying with such obligations or that any event (including the grant of a sublicense) has occurred which has relevance under such licenses; or (vi) the receiving Party or its Affiliates may disclose Confidential Information pursuant to a requirement of Law or order of a court of competent jurisdiction, provided the receiving Party or its Affiliates has given the disclosing Party prompt notice of such fact, so the disclosing Party may obtain a protective order or other appropriate remedy concerning any such disclosure and/or waive compliance with the confidentiality obligations of this Section 12.09. The receiving Party or its Affiliates shall fully cooperate with the disclosing Party in connection with the disclosing Party's efforts to obtain any such order or other remedy. If any such order or other remedy does not fully preclude disclosure, or the disclosing Party waives such compliance, the receiving Party or its Affiliates shall make such disclosure, but only to the extent such disclosure is legally required, and shall use its best efforts to have confidential treatment accorded to the disclosed Confidential Information.

(c) *Disclosure to Affiliates, Employees, Agents, Sublicensees, Advisors and Investors*. Each Party may disclose Confidential Information to its Affiliates and to those of its or its Affiliates employees, agents and sublicensees who are bound by confidentiality obligations comparable to the obligation set forth in this Section 12.09. Each Party and its Affiliates shall be responsible for ensuring that its employees, agents and sublicensees comply with such confidentiality obligations and for enforcing such confidentiality obligations. Each Party and its Affiliates may also disclose the full terms of this Agreement and Confidential Information to its or its Affiliates bankers, lawyers, accountants and other professional advisors, or to a third party seeking to invest in, acquire or lend funds to such Party or its Affiliates or potential strategic partners of such Party or its Affiliates, and each of their lawyers, accountants, professional advisors, investors and financing sources in each case without the other Party's prior approval provided that such disclosure is made under terms of confidentiality comparable to the obligation set forth in Section 12.09; provided, however, that the Mederex License and MRC License shall only be disclosed to such parties as reasonably necessary; and provided, further, that disclosure of the Lonza Commercial License shall be subject to the prior written consent of Lonza, for which Genmab will use commercially reasonable efforts to obtain from Lonza.

(d) *Return of Confidential Information*. All Confidential Information shall be returned to the disclosing Party by the receiving Party upon request by the disclosing Party upon the termination of this Agreement, with the exception of a single copy to be retained by the receiving Party in a confidential file for the sole purpose of determining compliance with this confidentiality obligation.

Section 12.10 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures to each counterpart were upon a single instrument, and all such counterparts together shall be deemed an original of this Agreement.

Section 12.11 No Strict Construction. This Agreement has been prepared jointly by the Parties and shall not be strictly construed against either Party.

Section 12.12 Severability. If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of Law, or public policy, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties. In such event, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the fullest extent possible.

Section 12.13 Applicable Law and Litigation. This Agreement shall be governed by and construed in accordance with the Laws of the State of New York without reference to any rules of conflict of laws. The Parties hereby irrevocably and unconditionally consent to the exclusive jurisdiction of the courts of the State of New York and the United States District Court for the Southern District of New York for any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement, and relating to injunctive or other equitable relief or enforcement of an arbitration ruling pursuant to Section 12.14(f) and agree not to commence any action, suit or proceeding (other than appeals therefrom) related thereto except in such courts. The Parties further hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement in the courts of the State of New York or the United States District Court for the Southern District of New York for matters relating to injunctive or other equitable relief or enforcement of an arbitration ruling, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 12.14 Dispute Resolution. (a) TenX agrees that any limitations and restrictions provided herein relating to the use of intellectual property and/or materials licensed or provided to Genmab from third parties pursuant to the Upstream Agreements are necessary and reasonable to protect Genmab, and expressly agrees that monetary damages would be inadequate to compensate Genmab for any violation by TenX of such limitations or restrictions. The Parties agree that any such violation would cause irreparable injury to Genmab and agrees that without resorting to the Parties' CEOs or to arbitration, Genmab shall be entitled to obtain temporary and permanent injunctive relief or other equitable relief against any threatened violation of such limitations or restrictions or the continuation of any such violation in any court of competent jurisdiction, without the necessity of proving actual damages or the posting of any bond.

(b) Any controversy, claim or dispute arising out of or relating to this Agreement shall first be submitted to the CEO of each Party for attempted resolution. If the CEOs of the Parties do not resolve such matter within thirty (30) days of the matter being submitted to them, then such matter shall be resolved through final and binding arbitration as follows. The place of arbitration shall be the City of New York. The arbitration shall be in accordance with the international rules of the American Arbitration Association except as modified herein. The number of arbitrators shall be three. The language of the arbitration shall be English. Each Party shall select one arbitrator and the two chosen arbitrators shall select a third arbitrator.

(c) It is the agreed intention and objective of the Parties that in all respects the arbitration be conducted, and the award rendered, as expeditiously and efficiently as is possible consistent with a fundamentally fair process, and that the arbitrators do what they consider is needed to be done (including shortening any time when it is longer than reasonably necessary in the circumstances), and make such other orders as they consider are needed or beneficial, to achieve that objective.

(d) All information and documents in relation to the arbitration shall be deemed Confidential Information to the full extent permitted by Law. No individual shall be appointed as an arbitrator unless the individual first agrees in writing to be bound by confidentiality obligations as a receiving party under Section 12.09 and to conduct the arbitration in a manner that is most likely to maintain the confidentiality of Confidential Information. No Party may retain any expert in connection with the arbitration unless the expert first agrees in writing to be bound by this section, as applicable. The fact of and subject matter of the arbitration, including the fact that any dispute has been submitted to arbitration, and all evidence given and submissions made in connection with any arbitration, shall be Confidential Information, and shall be treated as such by the Parties and all Persons employed by or contracted to them. Any meetings, conferences or hearings in connection with or during the arbitration may be attended only by those individual persons whose presence, in the opinion of the arbitral tribunal, is reasonably necessary for the determination or other resolution of the dispute and such person first agrees in writing to be bound by the provisions of these sections, as applicable. The obligations under this subsection (d) continue notwithstanding any determination or other resolution of the arbitration.

(e) The arbitrators shall be paid reasonable fees plus expenses. These fees and expenses, along with the reasonable legal fees and expenses of the prevailing Party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, shall be paid as follows:

(i) If the arbitrators rule in favor of one Party on all disputed issues in the arbitration, the losing Party shall pay 100% of such fees and expenses.

(ii) If the arbitrators rule in favor of one Party on some issues and the other Party on other issues, the arbitrators shall issue with the ruling a written determination as to how such fees and expenses shall be allocated between the Parties. The arbitrators shall allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the arbitration, with the Party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.

(f) Any final award of the arbitrators shall be final, conclusive, and binding on the Parties to the dispute, and judgment may be entered in any court of competent jurisdiction. To the extent permitted by Law, the Parties exclude any right of review or appeal to American or other courts, including in connection with any question of law arising in the arbitration or in connection with any award or decision made by the arbitrators, except as is necessary to recognize or enforce such award or decision.

Section 12.15 Integration. This Agreement, together with any Schedules hereto, constitutes the entire agreement between the Parties hereto relating to the subject matter hereof and supersedes all prior and contemporaneous negotiations, agreements, representations, understandings and commitments with respect thereto provided that nothing herein shall exclude or limit liability for fraudulent misrepresentation.

Section 12.16 No Presumption. The Parties acknowledge that each has been represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any Law that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. If any claim is made by a Party relating to any conflict, omission or ambiguity in the provisions of this Agreement, no presumption or burden of proof or persuasion will be implied because this Agreement was prepared by or at the request of any Party or its counsel.

[Rest of page intentionally left blank]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first written above.

GENMAB A/S

By: /s/ Lisa N. Drakeman

Name: Lisa N. Drakeman

Title: President & CEO

GENMAB A/S

By: /s/ David Eatwell

Name: David Eatwell

Title: Senior Vice President & CFO

TENX BIOPHARMA, INC.

By: /s/ Moshe Bodner

Name: Moshe Bodner

Title: Chairman

SCHEDULE A

Europe and Asia

Albania
Austria
Belgium
Bhutan
Brunei
Bulgaria
Cambodia
Countries of the former Soviet Union
Countries of the former Yugoslavia
Cypress
People’s Republic of China
Republic of China (Taiwan)
Czech Republic
Denmark
Finland
France
Germany
Greece
Greenland
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Italy
Japan
Democratic People’s Republic of Korea (North Korea)
Republic of Korea
Laos
Liechtenstein
Luxembourg
Macao
Malaysia
Malta
Monaco
Mongolia
Myanmar
Nepal
Norway
Pakistan
Papua New Guinea
Philippines
Poland
Portugal
Romania
Primorskij State of Russia
Amur State of Russia
Singapore
Slovakia
Spain
Sri Lanka
Sweden
Switzerland
Thailand
The Netherlands
United Kingdom
Vietnam

SCHEDULE B

Licensed Patents

[**]

SCHEDULE C

Transfer Plan

Clinical, Data Management and Regulatory: GEN110 Trial (110 Study) current status as per December 2, 2009:

- [**].

Transfer Plan:

- [**].

CMC:

- [**].

LEGAL:

The transfer of sponsorship of the 110 Study from Genmab A/S to TenX will be initiated after Closing. The below table lists the various action items:

Action Items	Responsible
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]

SCHEDULE D

Third-Party Payments Under Certain Agreements

Third-Party Payments

Below is a summary of the third-party payments payable under the Medarex License, the Lonza Commercial License, and the MRC License. The Upstream Agreements should be consulted for the full terms thereof.

I. Third-Party Payments Due Under the Medarex License (all capitalized terms in this Section I of Schedule D that are not defined in this Section I of Schedule D shall have the meanings ascribed to them in the Medarex License)

Milestones

Event	Payment / USD
[**]	$[**]
[**]	$[**]
Sales milestone (upon first achievement of $[**] USD annual net sales in Europe and Asia or $[**] USD aggregate net sales in Europe and Asia) for zanolimumab	$[**]

Royalties

[**] to [**]% royalties are payable based on net sales of zanolimumab in Europe and Asia on a country-by-country basis for a period of 13 years after first sale, as follows:

	Annual net sales in Europe and Asia	Royalty rate
Portion of annual net sales in Europe and Asia	Less than $[**] USD	[**]%
Portion of annual net sales in Europe and Asia	From $[**] USD to $[**] USD	[**]%
Portion of annual net sales in Europe and Asia	Over $[**] USD	[**]%

[**]% of any third party payments in respect of net sales in Europe and Asia may be deducted, but with a cap corresponding to [**]% of the net sales in Europe and Asia.

II. Third-Party Payments due Under the Lonza Commercial License (all capitalized terms in this Section II of Schedule D that are not defined in this Section II of Schedule D shall have the meanings ascribed to them in the Lonza Commercial License)

Annual Fixed Fees

These fees include an annual license fee (pounds sterling [**] under Section 5.1.1 of the Lonza Commercial License) and possible sublicense fees (pounds sterling [**]) under Section 5.2.1 of the Lonza Commercial License), which fees would be waived if a TenX was a Designated Affiliate of Licensee (Genmab) or a Strategic Partner (w/r/t the £[**] fee) and/or if the Product is Primarily Manufactured by Lonza or a Designated Affiliate of Lonza (w/r/t the £[**] fee).

Royalties

If the Product is manufactured by Lonza or a Designated Affiliate of Lonza or by Genmab, a royalty of [**]% of the Net Selling Price of Product so manufactured by such parties. If a Designated Affiliate of Licensee (Genmab) or any Strategic Partner manufactures the Product under a sublicense, a royalty of [**]% of the Net Selling Price of Product so manufactured by such sublicensee.

If a party, other than a Designated Affiliate of Licensee (Genmab) or any Strategic Partner, manufactures the Product under a sublicense, a royalty of [**]% of the Net Selling Price of Product manufactured by such sublicensee.

Royalties due to Lonza shall be reduced by [**]% on a country-by-country basis, if no Valid Claim exists at the date of First Commercial Sale in such country, or if a Valid Claim ceases to exist in such country.

III. Third-Party Payments due Under the MRC License

Royalty payments corresponding to [**] percent ([**]%) of MRC Net Sales of Product if such Product falls within the scope of "Product" for which royalties are payable pursuant to the MRC License.

"MRC Net Sales" means TenX's or its sublicensees' billings for sales of the Product, less the following items to the extent that they are paid or allowed and included in the invoice price: (i) credits allowed for Product returned or not accepted by customers; (ii) outbound packaging, transportation and prepaid insurance charges on shipments or deliveries to customers; and (iii) sales and/or other taxes and/or tariff duties directly imposed on and paid by the purchaser of the Product in connection with the sale or delivery of the Product to the purchaser.

SCHEDULE 10.02(A)

Email correspondence between Cellectis and Genmab

[**]

Confidential materials omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment. A total of three pages were omitted.

EXHIBIT 10.4

CONSULTING SERVICES AGREEMENT

This Consulting Services Agreement ("Agreement"), effective the 1st day of April 2011 (the "Effective Date"), is made and entered into by and between **Emergent BioSolutions Inc.** ("Emergent"), a Delaware corporation, with offices at 2273 Research Boulevard, Suite 400, Rockville, Maryland 20850, and **The Hauer Group** ("Consultant"), located at 7850 Southdown Road, Alexandria, VA 22308, Emergent and Consultant are sometimes hereinafter referred to in the singular as "Party" and collectively as the "Parties".

WHEREAS, Emergent and its Affiliates (as hereinafter defined) are engaged in the development, production, and commercialization of biopharmaceutical products;

WHEREAS, Consultant is engaged in providing consulting services as described in this Agreement; and

WHEREAS, Emergent and, as applicable, its Affiliates (as hereinafter defined) desires to engage Consultant to provide certain services from time to time as mutually agreed by the Parties, and Consultant desires to be so engaged.

NOW, THEREFORE, in consideration of the mutual covenants herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be bound, agree as follows:

1. **Services**. Consultant agrees to provide certain services from time to time as requested by Emergent or any of Emergent's Affiliates as specified in Exhibit A attached hereto (the "Services"). In the event that Consultant is requested or required to perform work for the Services beyond that which is specifically set forth in Exhibit A, any such additional services and an appropriate adjustment to the amounts owed shall be negotiated in good faith and the Parties shall amend this Agreement to reflect such additional services and any additional or modified terms in respect thereof prior to the provision of such new services.

2. **Payment for Services**. Emergent shall compensate Consultant for Services in accordance with the payment terms set forth in Exhibit A, and all invoices for payment shall be submitted to Emergent as detailed therein. Notwithstanding the foregoing, for any invoice to be processed and paid, such invoice must refer to the applicable Emergent Accounting Code designated in Exhibit A. If Consultant bills on an hourly basis, all invoices must be accompanied by a timesheet detailing the hours worked and signed by both Consultant and Emergent. Payment of Consultant's invoices shall be in full compensation for the Services performed by Consultant unless expressly agreed otherwise in writing by the Parties. Invoices shall be payable within thirty (30) days of receipt by Emergent. Representatives of Consultant performing Services hereunder will not receive employee benefits from Emergent, including but not limited to paid vacation, sick leave or any insurance benefits, even if such representatives are physically situated at Emergent's offices.

3. **Expenses**. Emergent shall pay for or reimburse Consultant for out-of-pocket expenses reasonably incurred in the performance of Services hereunder; provided, however, that expenses shall only be paid for or reimbursed if in compliance with Emergent's Travel Policy (as previously provided to Consultant or as updated by Emergent from time-to-time and disclosed to Consultant), or otherwise expressly authorized in Exhibit A or as agreed in writing by the Parties. Consultant shall submit monthly invoices detailing expenses incurred during the immediately preceding month by appropriate category and shall provide supporting documentation as is acceptable to Emergent in its reasonable discretion. It is agreed that expenses shall not be marked up. This Agreement relates to the provision of Services only. In the event Consultant deems it necessary to purchase equipment, goods, software or other tangible or intangible property for which it will seek reimbursement from Emergent, no such purchase shall be made and Emergent shall not be responsible for reimbursement to Consultant unless Consultant has received Emergent's express, prior written authorization.

4. **Confidentiality of Information**. Consultant acknowledges that this Agreement creates a confidential relationship between Consultant and Emergent. Consultant and Emergent acknowledge that, in order to perform the Services, it will be necessary for Emergent to allow Consultant to have access to certain commercially valuable, proprietary, and confidential information of Emergent and its Affiliates. Consultant agrees to keep confidential and not, without the prior written consent of Emergent, to publish, disclose to any third party or use (except for purposes of performance under this Agreement) any confidential information, in either written, electronic or oral form whether or not marked as "confidential" or "proprietary," and without limitation, any and all information relating to the business, prospective business, technical processes, finances, price lists, customer lists, information relating to the licensing or approval of any of the products, business plans, business prospects, employee information, information regarding facilities, operations and financial condition and results, inventions, improvements, trade secrets, know-how, processes, formulas, methods, assays, data, instrumentation, sales and marketing information, standard operating procedures, clinical trials, clinical trial data, clinical specimens, study protocols, investigators' brochures and instructions or other scientific or technical information, and any documentation and materials specifically developed or prepared for or by Consultant in performance of Services under this Agreement (collectively, the "Confidential Information"). The obligations of this paragraph do not pertain to information which is generally known or hereafter becomes generally known to the public through no fault of Consultant or is disclosed by Consultant with the written approval of Emergent. Consultant shall return all such Confidential Information to Emergent upon completion of the Services hereunder or upon Emergent's request. If Confidential Information is sought by any source, including any governmental organization, Consultant must immediately notify Emergent of such request and refuse to divulge any such information at least until a representative of Emergent is permitted to address the situation and either consents to the disclosure or has the opportunity to engage legal means to protect the disclosure of such information.

5. **Authorized Contacts**. With respect to the performance of Services, Consultant shall report to the Authorized Contact(s) identified in Exhibit A (or such other person that may hold the same position at a later date) or such other person(s) as such Authorized Contact(s) may designate from time to time in writing.

6. **Deliverables and Reports**. Consultant shall make weekly reports and such other reports as Emergent or its Affiliates may from time to time request.

7. **Ownership of Work**. All right, title, and interest in and to all data, information, documents, materials and inventions relating to or arising out of the Services shall belong to and be the property of Emergent. Consultant agrees, without further payment by Emergent, to make any assignments and execute all documents necessary to effect Emergent's title thereto in all countries of the world. Furthermore, all documents and materials prepared by Consultant in the performance of its duties hereunder will constitute works-made-for-hire and shall belong to and be the exclusive property of Emergent and shall be surrendered by Consultant to Emergent upon request. Consultant hereby assigns to Emergent all rights that Consultant may have to data, information, documents, materials and inventions referred to in this paragraph. The above assignments and surrender shall be made once payment in full has been made by Emergent to Consultant as detailed in Exhibit A.

8. **Term and Termination**. This Agreement shall become effective as of the Effective Date set forth above and shall continue in effect for one (1) year thereafter or until the Agreement otherwise terminates under this Section 8 (the "Term"); provided, however, that in the event that any requested Services are then outstanding, the Term shall be automatically extended until such Services are completed or are terminated by either Party.

This Agreement shall terminate upon the expiration of the Term or the first to occur of the following events:

(i) On the date Emergent provides Consultant with written notice (setting out with particularity) that this Agreement is being terminated for "cause." For purposes of this Agreement, Consultant shall be deemed terminated for cause if Emergent terminates Consultant after Consultant:

(a) shall have committed any act or acts of embezzlement, theft or fraud against Emergent;

(b) shall have been convicted of a felony or any crime involving moral turpitude, whether or not related to the Services;
(c) shall have committed any act or acts of negligence or willful misconduct; or
(d) shall have committed a breach of the representations, warranties or covenants contained in Sections 4, 7, 9, 11 or 16 herein.

(ii) On the date either Party terminates the Agreement for convenience on not less than ten (10) days' prior written notice.

Upon termination of this Agreement, Emergent shall have no further liability other than for payment in accordance with the terms of this Agreement for Services provided prior to the termination date. If this Agreement is terminated by Emergent under Section 8(b)(i)(d), in addition to any other rights or remedies available at law or in equity, Consultant will surrender any claim for payment under the Agreement and will refund any payments received under this Agreement.

The provisions of Sections 2, 3, 4, 7, 8, 11 (with respect to 11(d), only for twelve months following termination or expiration), 13, 14, 15, 16 and 18 shall survive the expiration or termination of this Agreement for any reason.

9. **Representations and Warranties**. Consultant represents and warrants that:

(a) the Services performed hereunder will be performed in a competent, diligent and workmanlike manner consistent with the expected industry standards of professional conduct;

(b) Consultant and any of Consultant's personnel performing Services will perform the Services for Emergent hereunder and have been advised of the restrictions and obligations set forth in this Agreement, including without limitation, the requirements of confidentiality (Section 4), compliance with laws (Section 11) and non-solicitation (Section 16); and

(c) Consultant has full power to enter into and fully perform this Agreement and has the full and unrestricted right to disclose to Emergent any information Consultant makes available to Emergent under this Agreement.

10. **Relationship of Parties**. With respect to the subject matter of this Agreement, the Parties are and remain independent contractors. This Agreement shall not be deemed to create an employer/employee relationship, joint venture, partnership, association, or agency between the Parties. Consultant is not authorized to incur or create any obligation express or implied on behalf of Emergent or to bind Emergent in any manner whatsoever.

11. **Compliance with Laws**. In performing the Services, Consultant shall comply with all applicable existing and future laws, rules and regulations. Consultant covenants and agrees to perform its duties and responsibilities under this Agreement in accordance with the highest standards of ethical business conduct and will not engage in any acts or activities that are illegal or that may adversely affect or reflect upon the business, integrity or goodwill of Emergent. Without limiting the generality of the foregoing, Consultant represents, warrants and agrees that:

(a) Consultant will comply with all applicable existing and future treaties, laws, regulations, including but not limited to those governing employment practices (including those governing employee recruiting and hiring), anti-bribery, anti-corruption and anti-gratuities laws or other similar laws.

(b) Consultant will comply with all Emergent stated policies and procedures applicable to consultants operating at Emergent's offices, including without limitation, those governing safety, health, harassment, and discrimination.

(c) Consultant will prohibit its staff from involvement with the payment or giving of anything of value, either directly or indirectly, to an official of any government, political party or official thereof, any candidate for foreign political office, or any official of an international organization, for the purpose of influencing an act or decision in its official capacity, or inducing that official to use his/her influence with any government, to assist Emergent in obtaining or retaining business for or with, or directing business to, any person, or for obtaining an improper advantage. Consultant agrees to comply with the provisions of this Section 11(c) and take no action that it believes might cause Emergent to be in violation of international, federal, state or local laws or regulations, or Emergent's policies and procedures, as well as any action by Consultant that might be construed as a violation of international, federal, state or local law, or Emergent's policies and procedures.

(d) At such times as may be requested by Emergent, Consultant will certify to Emergent in writing that: (1) Consultant understands the requirements of applicable anti-corruption or anti-bribery laws that apply to the Consultant and the Agreement; (2) Consultant believes it has complied with all applicable laws, regulations, and Emergent's policies and procedures; (3) Consultant has, specifically, not made, offered to give or agreed to give anything of value, directly or indirectly, whether in cash or in kind to or for the benefit of any government official or "foreign official," political party or official thereof, or candidate for political office, or official of an international organization, for the purpose of carrying out this Agreement; (4) Consultant does not know or have any reason to believe that any employee, agent, representative or other person retained by Consultant has violated any of the foregoing undertakings; and (5) Consultant will immediately advise Emergent if Consultant should learn or have reason to believe that there has been a violation of any of the foregoing undertakings.

(e) Emergent BioSolutions Inc. ("EBSI"), is a publicly traded company on the New York Stock Exchange. Consultant acknowledges the laws and regulations prohibiting "insider trading," including the purchase or sale of securities of a company while in the possession of material information that has not been generally disclosed in the marketplace. Consultant represents that it may have access to certain material nonpublic information of EBSI, Emergent, and/or their Affiliates and will not engage in insider trading or disclose such information to any third parties.

12. **Definition of Affiliate**. "Affiliate" shall mean any direct or indirect, current or future subsidiary of a Party, or any other entity which is controlled by a Party or which controls a Party. The term "control" as used herein shall mean possession, directly or indirectly of at least fifty percent (50%) of the voting equity of another entity (or other comparable interest for an entity other than a corporation), or the power to direct or cause the direction of the management or policies of an entity whether through ownership of securities, by contract or otherwise.

13. **Export Control Technology**. The Parties acknowledge that any products, software, and technical information provided under this Agreement may be subject to the United States, United Kingdom and other export laws and regulations and any use or transfer of such products, software and technical information may require authorization under those regulations. The parties agree that they will not use, distribute, transfer, view or transmit such products, software or technical information (even if incorporated in other products) except in compliance with the applicable export regulations. The parties also agree to sign written assurances and other export related documents as may be required for compliance with applicable export regulations.

14. **Indemnification and Limitation of Liability**. Consultant shall hold harmless and indemnify Emergent, its employees, agents and representatives, from and against any and all suits, demands, losses, damages, judgments, claims, costs, (including reasonable attorneys' fees and costs) or other liability (including, without limitation personal injury or death) (collectively "Liability"), to the extent that such Liability arises from or is related to the performance of Services under this Agreement or the negligence, act or omission of Consultant or any of her agents or representatives.

15. **Dispute Resolution**. All disputes or claims arising under this Agreement that cannot be resolved by the Parties shall be submitted to non-binding mediation for a period of thirty days, which may be extended by written agreement of the Parties. If such dispute is not resolved amicably through mediation or otherwise within the specified period, either Party may pursue remedies available to it at law or in equity, subject to the terms of this Agreement.

16. **Non-Solicitation**. Consultant agrees that, during the term of this Agreement, and for a period of twelve (12) consecutive months after termination of such Agreement, Consultant will not knowingly (i) directly induce or attempt to induce or otherwise counsel, advise, solicit or encourage any employee to leave the employ of

Emergent or accept employment with Consultant or any other person or entity, (ii) directly induce or attempt to induce or otherwise counsel, advise, solicit or encourage any person who at the time of such inducement, counseling, advice, solicitation or encouragement had left the employ of Emergent within the previous six (6) months to accept employment with any person or entity besides Emergent or (iii) solicit, interfere with, or endeavor to cause any customer, client, or business partner of Emergent to cease or reduce its relationship with Emergent or induce or attempt to induce any such customer, client, or business partner to breach any agreement that such customer, client, or business partner may have with Emergent.

17. **Force Majeure.** Neither Party shall be liable for delay or failure in the performance of any of its obligations under this Agreement if and to the extent such delay or failure is due to circumstances beyond the reasonable control of such Party, including but not limited to fires, floods, explosions, accidents, acts of God, war, riot, strike, lockout or other concerted acts of workers, acts of government and shortages of materials. The Party claiming force majeure shall use its commercially reasonable efforts to eliminate or prevent the cause so as to continue performing its obligations under this Agreement. During such time that the event of force majeure causes such a delay or failure of performance, this Agreement and the Parties' obligations and responsibilities under it shall be deemed suspended until the event of force majeure ceases.

18. **Miscellaneous Provisions.**

(a) Governing Law and Jurisdiction. This Agreement and its interpretation shall be governed by the laws of the State of Delaware without reference to its conflict of law or choice of law provisions.

(b) Non-Waiver. No delay by or omission of any Party in exercising any right, power, privilege, or remedy shall impair such right, power, privilege, or remedy or be construed as a waiver thereof.

(c) Remedies. The rights and remedies provided in this Agreement are cumulative and are not exclusive of other rights or remedies provided by law.

(d) Taxes. Consultant shall be fully responsible for payment of all income taxes, social security taxes, and for any other taxes or payment which may be due and owing by Consultant as the result of fees or amounts paid to it by Emergent under this Agreement, and Consultant shall indemnify and hold harmless Emergent from and against any such tax or payment.

(e) Notices. Any notice hereunder shall be given by first class mail, express mail, or facsimile (followed by confirmation), addressed to the Parties at the addresses given in the preamble of this Agreement, or to such other address as a Party may later designate in writing to the other Party. Notice given by Consultant to Emergent shall be directed to the President of EBSI; provided, however that Notice of any legal action, claim or other legal matter given by Consultant to Emergent shall be directed to the Legal Department of EBSI.

(f) Use of Name. Neither Party shall use the name, tradename or trademark of the other Party in a press release, advertising, publicity or promotional activity without the prior written consent of the other Party.

(g) Severability. In the event that any section or any part of a section of this Agreement should be declared void, invalid, or unenforceable by any court of law, for any reason, such a determination shall not render void, invalid, or unenforceable any other section or any part of any other section of this Agreement and the remainder of this Agreement shall remain in full force and effect.

(h) Headings. Headings and titles of parts and sections are for convenience only and have no interpretative significance.

(i) Successors. This Agreement and the covenants hereof are binding on the Parties and their respective heirs, executors, representatives, trustees, permitted assigns, and successors in interest.

(j) Assignability. This Agreement may not be assigned by Consultant without the prior, express written consent of Emergent. This Agreement may not be assigned by Emergent without the prior, express written consent of Consultant; provided, however, that this Agreement may, without Consultant's written consent, be assigned and transferred to any Affiliate of Emergent upon such assignee assuming Emergent's obligations hereunder, in which event Consultant agrees to continue to perform the duties and obligations according to the terms hereof to or for such assignee or transferee of this Agreement.

(k) Counterparts. This Agreement may be signed in two identical copies, each of which shall be deemed to be an original copy, and a facsimile copy shall constitute a legally binding, enforceable document.

(l) Integration. This Agreement, along with the corresponding Exhibit, constitutes the entire agreement of the Parties, supersedes all prior discussions, negotiations and understandings verbal and written, if any, and may only be amended or modified by a written agreement signed by both Parties. In the event of a conflict between the terms of this Agreement and the terms of any Exhibit or attachment hereto, proposal, quotation or any Consultant documentation, the terms of this Agreement shall prevail.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date set forth in the preamble.

Emergent BioSolutions Inc.

By: /s/Allen Shofe

Name: Allen Shofe
Title: SVP Corporate Affairs
Date: April 5, 2011

The Hauer Group

By: /s/Jerome Hauer

Name: Jerome Hauer
Title: Chief Executive Officer
Date: April 5, 2011

EXHIBIT A

Scope of Work and Compensation

The Services shall include, without limitation, the following:

Contract Objective:

To assist Emergent BioSolutions in enhancing its corporate image and visibility, and expanding opportunities for BioThrax and its pipeline product candidates.

Summary of expected activities:

Strategic Support of Corporate Objectives

- Consultation to CEO, President and Senior Management on corporate strategic issues
- General consultation and directed project support to including but not limited to:
  - Relationship management with targeted media outlets and reporters;
  - Introductions to relevant government officials;
  - Introductions to potential commercial partners.
- Other projects as may be directed by the CEO, President or Senior Management

Domestic and International Marketing

- Target audiences:
  - KOLs, decision makers or senior officials in health or emergency planning departments or agencies of foreign governments
  - Senior leadership and decision makers in first responder communities in major cities in the US, including individuals such as the Chief of Police, Fire Chiefs, Head of HAZMAT units, Head of Counter-Terrorism Units, Head of EMS/Paramedics Units (both independent and those attached to fire departments) and other groups who may believe themselves to be at high risk for exposure to anthrax
  - Senior leadership and decision makers in health departments in major cities in the US to help support decision makers in the first responder communities when making a medical decision surrounding the use of BioThrax

- Specific activities targeted at these markets including the following:
  - Contacting individuals within the target audiences, prioritizing and arranging initial meetings/teleconferences with senior leadership and decision makers within the first responder and health department communities
  - As needed and appropriate, attend meetings with Emergent executives when meeting with these key officials
  - Provide input and information on senior leadership and decision makers prior to meetings to ensure meeting materials and messaging are appropriate and tailored for the audience
  - 2 to 4 meetings will be arranged per month with target audiences

Place of Services: All Services shall be performed on-site at Emergent's offices (as specified in the preamble to this Agreement), unless otherwise directed by Emergent. Consultant agrees that he may be required to travel domestically and internationally to satisfy the scope of work and identified objectives.

Authorized Contact(s): Allen Shofe
Emergent BioSolutions Inc.
2773 Research Blvd., Suite 400
Rockville, MD 20850
Phone: (301) 795-1800
ShofeA@ebsi.com

Compensation: In exchange for the services provided above, Emergent shall compensate Consultant at the rate of $15,000.00 per month.
Agreement Start Date: April 1, 2011

Travel: The Parties agree that Consultant may book his own air travel for reservations in business class longer than 2.5 hours of flight time. All other travel will be pursuant to Emergent's Travel Policy (as provided to Consultant and updated by Emergent from time-to-time in writing) and all necessary lodging, rental car and other travel reservations shall be made by an Emergent Administrative Assistant and MAY NOT be made directly by Consultant. Emergent will not reimburse for expenses that fail to comply with this process. If airline, lodging, rental car or other travel reservations are to be made in connection with Services provided under this Agreement, it is Consultant's responsibility to contact the Emergent Authorized Contact to request that such arrangements be made.

Emergent Accounting Codes:

Cost Center- 10071
GL Code- 650081
WBS Code- 200038-0040

Codes must be noted on all invoices in order for payment to be processed.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE: N/A | PAGE 1 OF 1

2. AMENDMENT/MODIFICATION NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (*if applicable*)
Modification No. 0011	*See* Block 16C	N/A	N/A

6. ISSUED BY CODE N/A
U.S. DEP'T OF HEALTH AND HUMAN SERVICES
OS\ASPR\BARDA
330 Independence Ave, SW, Rm G640
Washington, D.C. 20201

7. ADMINISTERED BY (if other than item 6) CODE N/A
See Block 6

8. NAME AND ADDRESS OF CONTRACTOR (*No., street, county, State and ZIP Code*)
EMERGENT BIODEFENSE OPERATIONS LANSING INC 330303
EMERGENT BIODEFENSE OPERATIONS LANS
3500 N. MARTIN LUTHER KING JR BLVD #MI
LANSING, MI 489062933

DUNS: 026489018
TIN: 38-3412788

CODE N/A FACILITY CODE: N/A

☐ 9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (*See Item 11*)

☒ 10A. MODIFICATION OF CONTRACT/ORDER NO.
Contract No. HHSO100200700037C

10B. DATED (*See Item 13*) 09/25/2007

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:

(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (*If required*)
Not Applicable

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

☐ A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (*Specify authority*) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

☐ B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (*such as changes in paying office, appropriation date, etc.*) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).

☐ C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

☒ D. OTHER (*Specify type of modification and authority*)
FAR 1.601-1 Authority and Mutual Agreement of the Parties.

E. **IMPORTANT**: Contractor ☐ is not, ☒ is required to sign this document and return ONE (1) copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (*Organized by UCF section headings, including solicitation/contract subject matter where feasible.*)

[Description continues on the next page]

The purpose of this modification is to 1) extend the period of performance of this Contract, as noted in section F.1. of the Contract, at no additional cost from June 1, 2011 to September 1, 2011 and 2) extend the dates for contract deliverables for associated Milestones, as noted in F.3. of the Contract, to September 1, 2011.

All other terms and conditions remain unchanged by reason of this modification

Period of Performance: 06/1/2011 to 09/01/2011 (changed)

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (*Type or print*)	16A. NAME OF CONTRACTING OFFICER
/s/	Darrick A. Early, Contracting Officer
15B. CONTRACTOR/OFFEROR BY: (*Signature of person authorized to sign*)	15C. DATE SIGNED 6/01/2011
16B. UNITED STATES OF AMERICA BY: /s/ Darrick A. Early (*Signature of Contracting Officer*)	16C. DATE SIGNED 6/1/2011

EXHIBIT 10.6

Dated 17 May 2011

(1) SEGRO (WINNERSH) LIMITED

(2) EMERGENT PRODUCT DEVELOPMENT UK LIMITED

Agreement for surrender

of premises known as 530/535 and 545 IQ Winnersh Wokingham Berkshire

Eversheds LLP
1 Callaghan Square
Cardiff
CF10 5BT
Tel 0845 497 9797
Fax 0845 498 7333
Int +44 29 2047 1147
DX 33016 Cardiff
www.eversheds.com

CONTENTS

PARTICULARS

Date	17 May 2011
Landlord	SEGRO (WINNERSH) LIMITED (registered number 05472073) whose registered office is at Cunard House 15 Regent Street London SW1Y 4LR.
Tenant	EMERGENT PRODUCT DEVELOPMENT UK LIMITED (registered number 03270465) whose registered office is at 545 Eskdale Road Winnersh Wokingham Berkshire RG41 5TU.
Completion Date	17 May 2011
Condition	The Tenant complying in full with its obligations in clause 2.6 to the Landlord's reasonable satisfaction.
Dilapidations Payment	Two hundred and thirty thousand pounds (£230,000) inclusive of VAT.
Landlord's Premises	The estate known as IQ Winnersh of which the Premises form a part.
Landlord's Solicitors	Eversheds LLP of 1 Callaghan Square Cardiff CF10 5BT (Ref: David Farmer.165998.28).
Lease	Together: · A lease dated 10 May 2007 made between (1) Slough Estates (Winnersh) Limited and (2) Emergent Product Development UK Limited and (3) Emergent Biosolutions Incorporated of the First Premises together with (except for the purposes of clause 5.1.9.2) all deeds and documents varying or supplemental or ancillary to that lease at the Date of Actual Completion (the "First Lease"); and · A lease dated 13 December 1996 made between (1) Slough Properties Limited and (2) Azur Environmental Limited of the Second Premises together with (except for the purposes of clause 5.1.9.2) all deeds and documents varying or supplemental or ancillary to that lease at the Date of Actual Completion (the "Second Lease").
Lonza	Lonza Biologies PLC (registered number 02742471) whose registered office is at 228 Bath Road, Slough, SL1 4DX.
Price	One million three hundred and seventy five thousand two hundred and ninety eight pounds (£1,375,298) plus VAT or such lower figure as may be calculated in accordance with clause 2.2 of this agreement.
Premises	Together: · The premises known as 530/535 IQ Winnersh described in more detail in the First Lease (the "First Premises"); and · The premises known as 545 IQ Winnersh described in more detail in the Second Lease (the "Second Premises").
Tenant's Guarantor	Emergent Biosolutions Incorporated (incorporated and registered in England and Wales under company number 373-6090) the registered office of which is at Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington DE 19808, USA
Tenant's Solicitors	Richard Bruce Paschal II, Legal Department, Emergent Biosolutions Inc. 2273 Research Blvd., Suite 400, Rockville, Maryland 20850 and Manches LLP, 9400 Garsington Road, Oxford Business Park, Oxford OX4 2HN (Ref: Stephen Stratton)

Title Numbers BK 415328

THIS AGREEMENT is made on the date set out in the Particulars

BETWEEN

(1) the Landlord; and

(2) the Tenant.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Defined terms

In this Agreement, the following words and expressions have the following meanings:

"Actual Completion"	actual completion of the surrender of the Lease and "Date of Actual Completion" is to be interpreted accordingly
"Commercial Conditions"	the Standard Commercial Property Conditions (Second Edition)
"Contract Rate"	4% per annum above the base lending rate from time to time of Barclays Bank
"Consents"	all permissions, licences, certificates, consents and approvals required under any statute or from any local or public authority for the Works (as defined in clause 2.6)
"Deeds of Surrender"	two deeds of surrender in the form attached to this Agreement at Appendix 2.
"Electrical Works"	means the works required to split the electricity supply to 540 and 545 Eskdale Road (such supply currently being by way of a single feed in to 545 Eskdale Road) such work to include the provision of a new mains supply for Unit 540 and the provision of a new electricity meter for Unit 540 such work partly shown by the contract at Appendix 4 and to disconnect the electrical feed from 545 Eskdale Road to 540 Eskdale Road.
"Particulars"	the Particulars set out at the front of this Agreement
"Rent Deposit Deeds"	the following rent deposit deeds: (a)a rent deposit deed dated 10 May 2007 between (1) Slough Estates (Winnersh) Limited (2) Emergent Product Development UK Limited (3) Emergent Biosolutions Incorporated in relation to the First Lease; and (b)a rent deposit deed dated 6 December 2005 between (1) Slough Estates (Winnersh) Limited (2) Emergent Europe Limited in relation to the Second Lease
"Rent Deposits"	Means: the rent deposits due back to the Tenant pursuant to the terms of the Rent Deposit Deeds in respect of the Lease; and the balance in the Account (as defined in the Unit 540 Rent Deposit Deed) at the Date of Actual Completion less the sum of £71,280.00 being the amount which the Landlord is entitled to hold pursuant to the terms of the Unit 540 Rent Deposit Deed on account of the Tenant's continuing obligations in the Unit 540 Lease
"Statutory Requirements"	all legislation having legal effect in the United Kingdom relating to the carrying out of the Works from time to time in force
"Target Date"	The date which is twenty (20) weeks from the date of this agreement
"Unit 540 Lease"	means a lease of Unit 540 Eskdale Road, IQ Winnersh, Wokingham dated 13 December 1996 made between Slough Properties Limited (1) and Azur Environmental Limited (2)
"Unit 540 Rent Deposit Deed"	means the Rent Deposit Deed dated 06 December 2005 between Slough Estates (Winnersh) Limited (1) and Emergent Europe Limited (2)

1.2 Construction

In this Agreement:

1.2.1 the clause headings do not affect its interpretation;

1.2.2 unless otherwise indicated, references to clauses and Schedules are to clauses of and Schedules to this Agreement and references in a Schedule to a Part or paragraph are to a Part or paragraph of that Schedule;

1.2.3 references to any statute or statutory provision include references to:

1.2.2.1 all Acts of Parliament and all other legislation having legal effect in the United Kingdom; and

1.2.2.2 any subsequent statutes directly or indirectly amending, consolidating, extending, replacing or re-enacting that statute and also include any orders, regulations, instruments or other subordinate legislation made under that statute;

1.2.4 references to the Premises include any part of them;

1.2.5 "including" means "including, without limitation";

1.2.6 "working day" has the meaning given to it in the Commercial Conditions; and

1.2.7 if any provision is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remainder of the Agreement is to be unaffected.

1.3 Contracts (Rights of Third Parties) Act 1999

The parties to this Agreement do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

1.4 Particulars

The Particulars form part of this Agreement and words and expressions set out in the Particulars are to be treated as defined terms in this Agreement.

1.5 Commercial Conditions

Commercial Conditions 1, 2.1, 3.1, 3.3, 6.1, 8 and 9, as varied by Schedule 1, form part of this Agreement so far as they are applicable to the surrender of the Lease and are consistent with the express terms of this Agreement. Part 2 of the Commercial Conditions are not incorporated into this Agreement.

2. AGREEMENT TO SURRENDER

2.1 Agreement

Subject to the Tenant complying with the Condition the Tenant agrees to surrender and the Landlord agrees to accept the surrender of the Lease.

2.2 Consideration

2.2.1 The consideration for the surrender is the payment by the Tenant to the Landlord of the Price and the release to be given under clause 5.2.

2.2.2 The Tenant is entitled to set off against the Price the amount of the Rent Deposits (including all interest accrued on the Rent Deposits up to the Date of Actual Completion) and the Landlord shall prior to the Completion Date notify the Tenant in writing of the amount of the Rent Deposits and provide reasonable supporting evidence for such amount by way of bank statements for the account(s) in which the Rent Deposits are held.

2.2.3.1 If the Landlord grants to Lonza a new lease of the Second Premises or allows Lonza to occupy the Second Premises whether or not by way of the grant of a lease (except any occupation pursuant to any agreement for such a new lease) on or before 31 December 2011 the Tenant shall be entitled to a reimbursement of part of the Price, such set off or reimbursement (as the case may be) to be a sum equivalent to the Discount.

2.2.3.2 The Discount shall be calculated using the following formula:

$$\frac{A}{365} \times B$$

where

A = £104,459.51

B = The length of time in days calculated from the earlier of:

(a) The date of the grant of any new lease of the Second Premises which is granted by the Landlord to Lonza on or before 31 December 2011 up to and including the first date upon which Lonza may break that new lease or the length of time in days of any occupation of the Second Premises by Lonza whether or not by way of the grant of a lease (except any occupation pursuant to any agreement for such a new lease) ; and

(b) the date on which the Tenant has completed the Electrical Works and has notified the Landlord of the completion of the Electrical Works; and

(c) The date on which Lonza become liable to pay the principal rent due under any new lease of the Second Premises whether or not before the grant of such new lease or the date on which Lonza become liable to pay compensation equivalent to rent for any occupation of the Second Premises where such occupation Is permitted without the grant of a lease

but in no circumstances shall such length of time be less than the period beginning on the earlier of a, b or c above and expiring on 31st January 2013.

So, for example, if the Landlord were to grant a new lease of the Second Premises on 15 June 2011 for a term of eighteen (18) months but the Tenant had completed the Electrical Works and had notified the Landlord of such completion of the Electrical Works on or before 1 June 2011, the Discount would be:

$$\frac{104{,}459.51}{365} \times 579 = £165{,}704.25$$

2.2.3.3 The Landlord shall use its reasonable endeavours to grant a new lease of the Second Premises to Lonza as soon as is reasonably practicable following the date of this agreement.

2.2.3.4 Without prejudice to the generality of the obligation in clause 2.2.3.3 above, the Landlord shall keep the Tenant informed of all material developments in relation to the grant of any new lease of the Second Premises to Lonza and notify the Tenant of the grant of any such new lease of the Second Premises or the Landlord allowing Lonza to occupy the Second Premises, shall keep the Tenant informed of the date on which Lonza become liable to pay the principal rent due under any such new lease of the Second Premises where such liability commences before the grant of the lease and provide the Tenant with a copy of any such new lease together with any agreement for lease which preceded it or confirmation of any such occupation permitted in the absence of the grant of any lease.

2.2.3.5 The Discount shall be payable within ten working days after the later of:

(a) completion by the Tenant of the Electrical Works;

(b) the date upon which the Tenant notifies the Landlord that the Electrical Works have been completed; and

(c) the date upon which Lonza becomes lawfully entitled to occupy the Second Premises and liable to pay the rent to the Landlord in respect of such occupation.

2.2.3.6 The parties shall act in good faith in relation to the provisions of this clause.

2.3 Completion

Completion of the surrender:

2.3.1 is to take place on the Completion Date;

2.3.2 is to be completed by the Landlord and the Tenant completing the Deeds of Surrender; and

2.3.3 will operate to merge the title to the Lease in the Landlord's title to the Premises.

2.4 Timing for completion

Neither party will be under any obligation to complete the surrender on a day that is not a working day or before 9:30 am or after 5:30 pm on a working day, even where time is of the essence for completion.

2.5 Possession

The Lease is surrendered with vacant possession subject as mentioned in clause 2.6.1.3.

2.6 Condition

2.6.1 The Condition is that the Tenant shall do the following at its own cost:

2.6.2.1 ensure that all services and utilities to the Premises (other than electricity) are separated from and rendered independent from those serving 540 Eskdale Road;

2.6.2.2 block up the doorways between 540 and 545 Eskdale Road; and

2.6.2.3 give up possession of the Premises in the state of repair and condition required by this Agreement (provided that the Tenant shall leave one of the two (2) back up generators in situ behind unit 535 Eskdale Road)

PROVIDED FURTHER that the Tenant may leave items of plant and equipment within the Second Premises shown on the list attached hereto at Appendix 3 where such items have been purchased from the Tenant by Lonza or by any prospective new tenant of the Second Premises.

2.6.2 In carrying out the works to satisfy the Condition (the "Works") the Tenant shall do so:

2.6.2.1 at its own cost and expense;

2.6.2.2 with all due diligence and speed;

2.6.2.3 in accordance with any Consents and all Statutory Requirements;

2.6.2.4 in a good and workmanlike manner;

2.6.2.5 using good and substantial materials;

2.6.2.6 to the reasonable satisfaction of the Landlord;

2.6.2.7 in accordance with the requirements, if any, of the Landlord's insurers, which have been notified in writing to the Tenant; and

2.6.2.8 without causing any legal nuisance or damage to the Landlord or the owners or occupiers of the Landlord's Premises or any adjoining or neighbouring premises.

2.6.3 The Tenant is to permit the Landlord and those authorised by it to enter onto the Premises at all reasonable times on reasonable prior notice to inspect the progress of the Works and the materials used in them to ensure that the Works are being carried out in accordance with the terms of this Agreement.

2.6.4 When the Works have been completed, the Tenant is, as soon as reasonably practicable, to:

2.6.4.1 obtain any Consents required on the completion of the Works;

2.6.4.2 notify the Landlord in writing of the completion of the Works and allow the Landlord to inspect them to satisfy itself that they have been carried out and completed in accordance with the terms of this Agreement; and

2.6.4.3 make good any damage to the Premises and the remainder of the Landlord's Premises (including for the avoidance of doubt 540 Eskdale Road) caused by the carrying out of the Works or the removal of plant and equipment and unused materials from the Premises.

2.7 Landlord's Inspection of the Works

2.7.1 Following any inspection of the Works by the Landlord pursuant to clause 2.6.4.2 the Landlord shall notify the Tenant in writing within no more than ten (10) working days following such inspection whether or not the Tenant has complied with the Condition and if not, to notify the Tenant of what further action is required in order to satisfy the Condition and failing any notification in writing by the Landlord to the Tenant within such time period, the Tenant shall be deemed to have complied with the Condition.

2.7.2 If the Landlord notifies the Tenant in writing of further action required in order to satisfy the Condition the Tenant will proceed diligently to take such action.

2.7.3 The procedure in clauses 2.6.4.2, 2.7.1 and 2.7.2 may be repeated until the Landlord (acting reasonably) is satisfied that the Tenant has complied with the Condition.

2.8 Authorisation of Agreement

This Agreement has been authorised in accordance with the provisions of section 38A(2) Landlord and Tenant Act 1954. The Tenant confirms that before the date of this Agreement:

2.8.1 the Landlord served on the Tenant notice ("the Notices") dated 11 May 2011. In relation to this Agreement in a form complying with the requirements of Schedule 3 to The Regulatory Reform (Business Tenancies) (England and Wales) Order 2003;

2.8.2 the Tenant, or a person duly authorised by the Tenant, in relation to the Notices made statutory declarations ("the Declarations") dated 13 May 2011 in a form complying with the requirements of Schedule 4 to The Regulatory Reform (Business Tenancies) (England and Wales) Order 2003; and

2.8.3 where the Declarations were made by a person other than the Tenant, the declarant was duly authorised by the Tenant to make the Declarations on the Tenant's behalf.

3. TITLE

3.1 Title deduced

The Tenant has deduced title to the Lease to the Landlord and the Landlord is not entitled to raise any requisition or objection to the title except in respect of:

3.1.1 any matters registered against the Title Number after 31st March 2011 at 17.37:30 that relate to matters that the Tenant has not previously disclosed to the Landlord; and

3.1.2 any financial charges registered against the Title Number or the name of the Tenant at the Land Charges Registry or at Companies House.

3.2 Title guarantee

The Tenant is to surrender the Lease with full title guarantee but the Tenant shall not be liable under any of the covenants set out in section 3 or section 4 of the Law of Property (Miscellaneous Provisions) Act 1994 for the consequences of any breach of the terms of the Lease concerning the condition of the Premises.

4. PENDING COMPLETION

4.1 Terms of the Lease

Until the surrender is completed all the terms and conditions of the Lease will remain in full force and effect including the provisions relating to the payment by the Tenant of the rent and all other sums payable under the Lease.

4.2 Tenant's obligations

Without prejudice to the express provisions of the Lease, until completion of the surrender the Tenant will:

4.2.1 permit the Landlord to inspect the Premises with or without agents, surveyors, contractors and others at reasonable times after reasonable notice; and

4.2.2 permit the display of a letting, sale board or notice on the Premises and will allow prospective purchasers or tenants to view the Premises at reasonable times after reasonable notice.

5. COMPLETION

5.1 Handover of the Premises

On the Date of Actual Completion, the Tenant is:

5.1.1 to return the Premises to the Landlord with all tenant's and trade fixtures, signs, advertisements and any name signs removed and any damage caused by their removal made good to the reasonable satisfaction of the Landlord;

5.1.2 to return all keys to the Premises to the Landlord, including any duplicate sets made by the Tenant, and leave the Premises properly secured against unauthorised entry;

5.1.3 to pay to the Landlord by solicitor's client account cheque or by direct credit to the Landlord's Solicitors all outstanding rents and other moneys payable under the Lease up to and including the Date of Actual Completion which have not been paid by that date;

5.1.4 to pay the Dilapidations Payment to the Landlord by solicitor's client account cheque or by direct credit to the Landlord's Solicitors;

5.1.5 where any alarm system provided by the Landlord or installed by the Tenant and left in the Premises remains operative, to give the Landlord all keys, security codes and other information to enable the Landlord to set and disarm that alarm system;

5.1.6 to hand to the Landlord the health and safety file for the First Premises maintained by the Tenant under the CDM Regulations with all information required to be kept in the file complete and up to date;

5.1.7 to hand to the Landlord an unconditional undertaking to use all reasonable endeavours to deal to the satisfaction of the Land Registry with any requisitions that may be raised in connection with the Tenant's title to the Lease or any application made by the Landlord in connection with the registration of the surrender but this obligation will not extend to providing the original of the First Lease or a certified copy thereof;

5.1.8 to hand to the Landlord a completed Form AP1 together with a solicitor's client account cheque made payable to the Land Registry for the Land Registry fee payable for the closure of the Title Number; and

5.1.9 to deliver to the Landlord the:

5.1.2.1 Deeds of Surrender; and

5.1.2.2 the Second Lease;

5.2 Release of obligations

Subject to clause 5.3, on the Date of Actual Completion, the Landlord and the Tenant are to release each other and the Landlord is to release the Tenant's Guarantor from all obligations contained in the Lease arising on or after the Date of Actual Completion on the terms contained in the Deeds of Surrender and the Landlord is to accept the Dilapidations Payment in full and final settlement of all claims for dilapidations arising on the ending of the Lease.

5.3 Rent arrears

Clause 5.2 does not apply to, and the Tenant will remain liable to the Landlord for, any arrears of rent due to the Landlord under the Lease but unpaid on the Date of Actual Completion and nor does clause 5.2 apply to any outstanding obligations (whether past, present or future) of the Tenant or the Landlord in respect of the service charge provisions in the Lease.

5.4 Reimbursement of rent

The Landlord is to repay to the Tenant within 14 days of the Date of Actual Completion any part of the yearly rent and insurance rent which has been paid by the Tenant under the Lease which relates to the period after the Date of Actual Completion.

5.5 Service charge

No apportionment of the service charge rent payable under the Lease will be made on the Date of Actual Completion and, notwithstanding the surrender of the Lease, at the end of the service charge year under the Lease in which the Date of Actual Completion falls:

5.5.1 the Tenant will pay to the Landlord any excess service charge for any period or periods down to the Date of Actual Completion that would have been payable under the Lease if it had not been surrendered;

5.5.2 the Landlord will repay to the Tenant any overpayment of service charge made under the Lease for the period or periods down to the Date of Actual Completion; and

5.5.3 the Tenant will not be liable for any service charge rent attributable to the period or periods after the Date of Actual Completion.

6. ADDITIONAL PROVISIONS

6.1 Information provided

The Landlord acknowledges that this Agreement has not been entered into wholly or partly in reliance on any statement or representation made by or on behalf of the Tenant, other than any statements or representations given by the Tenant's Solicitors in written replies to written enquiries raised by the Landlord's Solicitors before the date of this Agreement.

6.2 Entire agreement

This Agreement constitutes the entire contract between the parties and may be varied or modified only in writing by the parties or their authorised representatives specifically referring to this clause and stating that this Agreement is varied in the manner specified.

6.3 VAT

Sums payable under this Agreement are exclusive of VAT. Where, under the terms of this Agreement, a supply is made that is subject to VAT, the person receiving the supply is to pay the VAT to the person making the supply and a valid VAT invoice is to be issued by the person making the supply.

6.4 Deed of Variation

On the Completion Date the Landlord and the Tenant shall enter into the Deed of Variation in the form attached in Appendix 1.

6.5 Non-Merger

All the provisions of this Agreement shall (to the extent that they remain to be observed and performed) continue in full force and effect notwithstanding completion of the Deeds of Surrender.

6.6 Splitting of Electricity Supply to 540 and 545 Eskdale Road

The Tenant shall use all reasonable endeavours to complete the Electrical Works by the Target Date:

6.6.1 in carrying out the Electrical Works the Tenant shall comply with the obligations contained in clause 2.6.2 of this Agreement;

6.6.2 the Landlord is to permit the Tenant and those authorised by it to enter on to the Second Premises at all reasonable times on reasonable prior notice (except in emergency) to the extent that such entry is necessary to enable the Tenant to comply with its obligations in respect of the Electrical Works;

6.6.3 if the Electrical Works are not completed by the Target Date the Landlord may serve notice on the Tenant requiring the completion of the Electrical Works within ten (10) working days of receipt of such notice failing which the Landlord or its agents with or without workmen and others may to the extent necessary in order to complete the Electrical Works but not otherwise enter the Premises for the purpose of carrying out the Electrical Works itself and the Tenant shall reimburse the Landlord any reasonable costs properly incurred by the Landlord in taking such action;

6.6.4 when the Electrical Works have been completed, the Tenant is, as soon as reasonably practicable, to:

6.6.2.1 notify the Landlord in writing of the completion of the Electrical Works and allow the Landlord to inspect them to satisfy itself that they have been carried out and completed in accordance with the terms of this Agreement;

6.6.2.2 make good any damage to the Second Premises and the remainder of the Landlord's Premises (including for the avoidance of doubt 540

Eskdale Road) caused by the carrying out of the Electrical Works; and

6.6.2.3 provide the Landlord with a copy of the electrical inspection certificate for the Electrical Works.

7. SIGNING

This Agreement has been signed under hand by or on behalf of the Landlord and the Tenant and it is exchanged on the date set out in the Particulars.

SCHEDULE 1

Variations to the Commercial Conditions

1. Exclusion of Commercial Conditions

Commercial Conditions 8.3.6, 8.3.7 and 8.3.8 are excluded.

2. Variation of Commercial Conditions

2.1 In Commercial Condition 1.3, all references to service by e-mail are deleted.

2.2 Commercial Condition 1.4.1 reads “An obligation to pay money includes an obligation to pay any value added tax chargeable in respect of that payment.”

2.3 In Commercial Condition 8.3.1, the words “Subject to condition 8.3.6” are deleted.

2.4 Commercial Condition 8.3.2 reads “Apportionment is to be made with effect from the date of actual completion.”

2.5 In Commercial Condition 8.3.3 the word “buyer” is replaced by the word “seller” and the words “from the beginning” are replaced by the words “until the end”.

2.6 In Commercial Condition 9.3.2, the words “between completion date and actual completion” are replaced by “from and including the completion date to and including actual completion”.

2.7 Commercial Condition 9.3.4 reads “The seller will take the net income from the property until completion as well as compensation under condition 9.3.1.”

3. Application of Commercial Conditions

3.1 Subject to paragraph 3.2, for the purposes of the Commercial Conditions, the “seller” is the Tenant and the “buyer” is the Landlord.

3.2 For the purposes of Commercial Condition 9.3, the “buyer” is the party paying the Price under this Agreement and the “seller” is the party receiving it.

SIGNED by SEGRO (WINNERSH) LIMITED
SIGNED by EMERGENT PRODUCT DEVELOPMENT UK LIMITED /s/Stephen Lockhart

APPENDIX 1

Deed of Variation

Dated 2011
(1) SEGRO (WINNERSH) LIMITED
(2) EMERGENT PRODUCT DEVELOPMENT UK LIMITED

Deed of variation

relating to a lease dated 13 December 1996 made between (1) Slough Properties Limited and (2) Azur Environmental Limited in respect of 540 IQ Winnersh Wokingham Berkshire

Eversheds LLP
1 Callaghan Square
Cardiff
CF10 5BT
Tel 0845 497 9797
Fax 0845 498 7333
Int +44 29 2047 1147
DX 33016 Cardiff
www.eversheds.com

CONTENTS

PARTICULARS

Date	
Landlord	SEGRO (WINNERSH) LIMITED (registered number 05472073) whose registered office is at Cunard House 15 Regent Street London SW1Y 4LR.
Tenant	EMERGENT PRODUCT DEVELOPMENT UK LIMITED (registered number 03270465) whose registered office is at 545 Eskdale Road Winnersh Wokingham Berkshire RG41 5TU.
Electrical Works	Has the meaning attributed to that term in an Agreement for Surrender dated [ ] day of [ ] between the Landlord (1) the Tenant (2)
Lease	A lease of the Property dated 13 December 1996 made between (1) Slough Properties Limited and (2) Azur Environmental Limited.
Property	Unit 540 Eskdale Road, IQ Winnersh, Wokingham, Berkshire.
Rent Deposit	The amount held in the Account pursuant to the terms of the Rent Deposit Deed such amount being currently seventy-one thousand two hundred and eighty pounds (£71,280.00).
Rent Deposit Deed	A rent deposit deed of 06 December 2005 made between (1) Slough Estates (Winnersh) Limited and (2) Emergent Europe Limited

THIS DEED OF VARIATION is made on the date set out in the Particulars

BETWEEN

(1) The Landlord; and

(2) The Tenant;

BACKGROUND

(A) The Lease was entered into by the persons whose names appear in the definition of the Lease in the Particulars.

(B) The parties to this Deed of Variation are now or remain entitled to the benefit of the Lease and have agreed to vary it on the terms set out in this Deed of Variation.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Words and expressions defined in the Lease have the same meanings in this Deed of Variation except to the extent that they are expressly varied by this Deed of Variation.

1.2 The provisions of the Lease relating to its interpretation apply to this Deed of Variation except to the extent that they are expressly varied by this Deed of Variation.

1.3 This Deed is supplemental to the Lease. A breach of this Deed is to be regarded as a breach of the Lease and will permit the Landlord to exercise its right of re-entry under the Lease.

1.4 Sums payable under this Deed will be recoverable as rent in arrears under the Lease.

1.5 The Particulars form part of this Deed and words and expressions set out in the Particulars are to be treated as defined terms in this Deed.

1.6 The parties to this Deed do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

2. VARIATION OR SUBSTITUTION OF CLAUSES

The Lease is to be read and interpreted as if the variations to it in Schedule 1 were set out in full in the Lease.

3. EFFECTIVE DATE

The amendments to the Lease made by this Deed of Variation take effect from and including the date of this Deed of Variation.

4. CONTINUATION OF THE LEASE

4.1 The terms of the Lease continue in effect as amended by this Deed of Variation.

4.2 This Deed of Variation does not release any party to it from any breaches of the Lease existing at the date of this Deed of Variation.

5. LICENCE TO ALTER

The Landlord hereby consents to the Tenant installing an electricity submeter into the Property and carrying out the Electrical Works.

6. RENT DEPOSITS

The Landlord and the Tenant confirm that the Rent Deposit will continue to be held in accordance with the terms of the Rent Deposit Deed.

7. EXECUTION

The Landlord and the Tenant have executed this Deed of Variation as a deed and it is delivered on the date set out in the Particulars.

SCHEDULE 1

Variation of Clauses

The following clause replaces clause 8 of the Lease:

8. "TENANT'S OPTION TO DETERMINE

8.1 In this clause 8 the following expressions have the following meanings:

"**First Break Date**" means 25 November 2012;

"Second Break Date" means 25 November 2013;

"Third Break Date" means 25 November 2014;

"Fourth Break Date" means 25 November 2015; and

"Break Date" means any of the above dates

8.2 If the Tenant wishes to determine this lease on any of the Break Dates and shall give to the Landlord not less than 6 months prior notice in writing expiring on the relevant Break Date then subject to the pre-conditions in clause 8.3 upon the expiry of such notice the Term shall immediately cease and determine but without prejudice to the rights of either party in respect of any antecedent claim or breach of covenant.

8.3 The pre-conditions are that the Tenant shall:

8.3.1 on or prior to the relevant Break Date vacate the Premises and ensure that any subleases of the Premises are validly terminated prior to the relevant Break Date and no subtenants or other third parties remain in occupation of the Premises;

8.3.2 have paid all the Rent reserved by this Lease up to the relevant Break Date provided such Rent has been duly demanded not less than 28 days prior to the relevant Break Date;

8.3.3 on or before the First Break Date pay the sum of £321,000 together with any value added tax to be paid in addition to and not in substitution for any other sum payable under this Lease to the Landlord if the Tenant exercises the option to determine this Lease on the First Break Date;

8.3.4 on or before the Second Break Date pay the sum of £240,000 together with any value added tax to be paid in addition to and not in substitution for any other sum payable under this Lease to the Landlord if the Tenant exercises the option to determine this Lease on the Second Break Date;

8.3.5 or before the Third Break Date pay the sum of £160,500 together with any value added tax to be paid in addition to and not in substitution for any other sum payable under this Lease to the Landlord if the Tenant exercises the option to determine this Lease on the Third Break Date; and

8.3.6 on or before the Fourth Break Date pay the sum of £80,230 together with any value added tax to be paid in addition to and not in substitution for any other sum payable under this Lease to the Landlord if the Tenant exercises the option to determine this Lease on the Fourth Break Date

Provided that a cheque drawn on the client account of the Tenant's solicitors for the amount of the payment referred to in either of clauses 8.3.3, 8.3.4, 8.3.5 or 8.3.6 and delivered to the registered office of the Landlord on or before the relevant Break Date shall be sufficient to discharge the obligation to make the payment.

8.4 Following any determination of this Lease by the Tenant pursuant to clause 8.2 the Landlord shall repay to the Tenant any overpayment of the Rent and insurance rent for the period beginning on but excluding the relevant Break Date up to and including the date up to which the Tenant has paid the Rent and the insurance rent (as the case may be).

8.5 The Landlord may waive any of the pre-conditions set out in clause 8.3 at any time before the relevant Break Date by written notice to the Tenant.

8.6 On or before the Break Date the Landlord shall, if applicable, provide the Tenant with a VAT invoice in respect of the payment due pursuant to clause 8.3.3/8.3.4/8.3.5/8.3.6.

8.7 The parties shall act in good faith in relation to these provisions."

SIGNED as a deed by)
SEGRO (WINNERSH) LIMITED)
acting by a director and its secretary)
or two directors)
)
Director
Director/Secretary

SIGNED as a deed by)
EMERGENT PRODUCT DEVELOPMENT UK)
LIMITED acting by a director and its)
secretary or two directors)
)
)
Director
Director/Secretary

APPENDIX 2

Deeds of Surrender

DATED **2011**

SEGRO (WINNERSH) LIMITED (1)
EMERGENT PRODUCT DEVELOPMENT UK LIMITED (2)
DEED OF SURRENDER
relating to
Units 545 Winnersh Triangle, Wokingham, Berkshire

Manches LLP
9400 Garsington Road
Oxford Business Park
OXFORD 0X4 2HN
Tel +44 (0)1865 722 106
Fax +44 (0)1865 201 012
DX 155710 Oxford 13
www.manches.com
Ref: SPS/ELV/180251/264906

INDEX

DATE

HM Land Registry

Landlord's title number: BK 165703

Administrative area: WOKINGHAM

PARTIES

(1) **SEGRO (WINNERSH) LIMITED** (registered number 05472073) whose registered office is at Cunard House 15 Regent Street London SW1Y 4LR ("Landlord");

(2) **EMERGENT PRODUCT DEVELOPMENT UK LIMITED** (registered number 03270465) whose registered office is at 545 Eskdale Road Winnersh Wokingham Berkshire RG41 5TU ("Tenant");

BACKGROUND

(A) This deed is supplemental to the Lease.

(B) The Landlord is entitled to the immediate reversion to the Lease.

(C) The residue of the term granted by the Lease is vested in the Tenant.

(D) The Landlord and the Tenant have agreed to enter into this deed.

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation set out in this clause 1 apply in this deed.

"Agreement for Surrender"	means an agreement for the surrender of the Lease dated day of and made between the Landlord (1) the Tenant (2).
"HMLR"	HM Land Registry.
"Landlord's Conveyancer"	Eversheds LLP of 1 Callaghan Square, Cardiff CF10 5BT (Ref: Kate Anderton) or any other conveyancer whose details may be notified in writing from time to time by the Landlord to the Tenant.
"Lease"	a lease of Units 545 Winnersh Triangle, Wokingham, Berkshire dated 13th December 1996 and made between Slough Properties Limited (1) Azur Environmental Limited (2), and all documents supplemental or collateral to that lease.
"Property"	Units 545 Winnersh Triangle, Wokingham, Berkshire as more particularly described in Berkshire as more particularly and demised by the Lease.

1.2 Clause headings do not affect the interpretation of this deed.

1.3 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) [and that person's personal representatives, successors or permitted assigns].

1.4 Unless the context otherwise requires, words in the singular shall include the plural and in the plural include the singular.

1.5 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.6 A reference to any party shall include that party's personal representatives, successors or permitted assigns.

1.7 A reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.

1.8 A reference to a statute or statutory provision shall include any subordinate legislation made from time to time under that statute or statutory provision.

1.9 A reference to "writing" or "written" includes faxes but not e-mail.

1.10 A reference to a document is a reference to that document as varied or novated (in each case, other than in breach of the provisions of this agreement) at any time.

1.11 References to clauses are to the clauses of this deed.

1.12 Any phrase introduced by the terms **including, include, in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

1.13 References to the "Landlord" include a reference to the person entitled for the time being to the immediate reversion to the Lease.

1.14 The expressions "landlord covenant" and "tenant covenant" each have the meanings given to them by the Landlord and Tenant (Covenants) Act 1995.

2. SURRENDER

2.1 In consideration of the releases by the Landlord pursuant to clause 3 and clause 4 the Tenant surrenders and yields up to the Landlord, with full title guarantee, all its estate, interest and rights in the Property and the Landlord accepts the surrender.

2.2 The Tenant shall not be liable under any of the covenants set out in section 3 or section 4 of the Law of Property (Miscellaneous Provisions) Act 1994 for the consequences of any breach of the terms of the Lease concerning the condition of the Property.

2.3 The residue of the term of years granted by the Lease shall merge and be extinguished in the reversion immediately expectant on the termination of the Lease.

3. RELEASE OF THE TENANT

The Landlord releases the Tenant and its predecessors in title from all the tenant covenants of the Lease but without prejudice to any liability that has accrued before completion of the Surrender or which remains pursuant to the Agreement for Surrender.

4. RELEASE OF THE TENANT'S GUARANTOR

The Landlord releases the Tenant's Guarantor from the covenants, indemnities and other obligations arising under or in respect of the Lease but without prejudice to any liability under that guarantee or those obligations (if any) that has accrued before completion of the Surrender or which remains pursuant to the Agreement for Surrender.

5. RELEASE OF THE LANDLORD

The Tenant releases the Landlord and its predecessors in title to the immediate reversion to the Lease from all the landlord covenants of the Lease without prejudice to any liability that has accrued before completion of the Surrender or which remains pursuant to clause 5.5 of the Agreement for Surrender.

6. LIABILITY

If the Landlord or the Tenant is more than one person, then in each case those persons shall be jointly and severally liable for their respective obligations arising by virtue of this deed. The Landlord may release or compromise the liability of any one of those persons or grant any time or concession to any one of them without affecting the liability of any other of them.

7. THIRD PARTY RIGHTS

A person who is not a party to this deed shall not have any rights under or in connection with it.

SIGNED as a deed by **SEGRO (WINNERSH) LIMITED** acting by a director and its secretary or two directors

Director

Director/Secretary

SIGNED as a deed by **EMERGENT PRODUCT DEVELOPMENT UK LIMITED** acting by a director and its secretary or two directors

Director

Director/Secretary

DATED **2011**

SEGRO (WINNERSH) LIMITED (1)
EMERGENT PRODUCT DEVELOPMENT UK LIMITED (2)
EMERGENT BIOSOLUTIONS INCORPORATED (3)

DEED OF SURRENDER

relating to

Units 530/535 Winnersh Triangle, Wokingham, Berkshire

Manches LLP
9400 Garsington Road
Oxford Business Park
OXFORD 0X4 2HN
Tel +44 (0)1865 722 106
Fax +44 (0)1865 201 012
DX 155710 Oxford 13
www.manches.com
Ref: SPS/ELV/180251/264906

INDEX

DATE

HM Land Registry

Landlord's title number: BK 165703

Administrative area: WOKINGHAM

Tenant's title number: BK 415328

Administrative area: WOKINGHAM

PARTIES

(1) **SEGRO (WINNERSH) LIMITED** (registered number 05472073) whose registered office is at Cunard House 15 Regent Street London SW1Y 4LR ("Landlord");

(2) **EMERGENT PRODUCT DEVELOPMENT UK LIMITED** (registered number 03270465) whose registered office is at 545 Eskdale Road Winnersh Wokingham Berkshire RG41 5TU ("Tenant");

(3) **EMERGENT BIOSOLUTIONS INCORPORATED** (incorporated and registered in England and Wales under company number 373-6090) the registered office of which is at Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington DE 19808, USA ("Tenant's Guarantor").

BACKGROUND

(A) This deed is supplemental to the Lease.

(B) The Landlord is entitled to the immediate reversion to the Lease.

(C) The residue of the term granted by the Lease is vested in the Tenant.

(D) The Tenant's Guarantor has entered into the Lease to give a guarantee in respect of the tenant covenants of the Lease.

(E) The Landlord and the Tenant have agreed to enter into this deed.

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation set out in this clause 1 apply in this deed.

"545 Lease"	means a lease of Unit 545 dated 13th December 1996 and made between Slough Properties Limited (1) Azur Environmental Limited (2).
"Agreement for Surrender"	means an agreement for the surrender of the Lease dated day of and made between the Landlord (1) the Tenant (2).
"HMLR"	HM Land Registry.
"Landlord's Conveyancer"	Eversheds LLP of 1 Callaghan Square, Cardiff CF10 5BT (Ref: Kate Anderton) or any other conveyancer whose details may be notified in writing from time to time by the Landlord to the Tenant.
"Lease"	a lease of Units 530/535 Winnersh Triangle, Wokingham, Berkshire dated 10th May 2007 and made between Slough Estates (Winnersh) Limited (1) Emergent Product Development UK Limited (2) Emergent BioSolutions Incorporated (3), and all documents supplemental or collateral to that lease.
"Property"	Units 530/535 Winnersh Triangle, Wokingham, Berkshire as more particularly described in and demised by the Lease.
"Unit 545"	means Winnersh 545, Winnersh Triangle, Wokingham, Berkshire more particularly described in and demised by the 545 Lease.
"VAT"	value added tax chargeable under the Value Added Tax Act 1994 and any similar replacement tax and any similar additional tax.

1.2 Clause headings do not affect the interpretation of this deed.

1.3 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) [and that person's personal representatives, successors or permitted assigns].

1.4 Unless the context otherwise requires, words in the singular shall include the plural and in the plural include the singular.

1.5 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.6 A reference to any party shall include that party's personal representatives, successors or permitted assigns.

1.7 A reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.

1.8 A reference to a statute or statutory provision shall include any subordinate legislation made from time to time under that statute or statutory provision.

1.9 A reference to "writing" or "written" includes faxes but not e-mail.

1.10 A reference to a document is a reference to that document as varied or novated (in each case, other than in breach of the provisions of this agreement) at any time.

1.11 References to clauses are to the clauses of this deed.

1.12 Any phrase introduced by the terms **including**, **include**, **in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

1.13 References to the "Landlord" include a reference to the person entitled for the time being to the immediate reversion to the Lease.

1.14 The expressions "landlord covenant" and "tenant covenant" each have the meanings given to them by the Landlord and Tenant (Covenants) Act 1995.

2. SURRENDER

2.1 In consideration of:

2.1.1 one million three hundred and seventy-five thousand two hundred and ninety-eight pounds (£1,375,298.00) (excluding VAT) paid by the Tenant to the Landlord (of which the Landlord acknowledges receipt) and;

2.1.2 the releases by the Landlord pursuant to clause 4 and clause 5;

the Tenant surrenders and yields up to the Landlord, with full title guarantee, all its estate, interest and rights in the Property and the Landlord accepts the surrender.

2.2 The Tenant shall not be liable under any of the covenants set out in section 3 or section 4 of the Law of Property (Miscellaneous Provisions) Act 1994 for the consequences of any breach of the terms of the Lease concerning the condition of the Property.

2.3 The residue of the term of years granted by the Lease shall merge and be extinguished in the reversion immediately expectant on the termination of the Lease.

3. VALUE ADDED TAX

On the date of this deed, the Tenant shall pay the Landlord any VAT properly chargeable on the consideration stated in clause 2.1.1.

4. RELEASE OF THE TENANT

The Landlord releases the Tenant and its predecessors in title from all the tenant covenants of the Lease but without prejudice to any liability that has accrued before completion of the Surrender or which remains pursuant to the Agreement for Surrender.

5. RELEASE OF THE TENANT'S GUARANTOR

The Landlord releases the Tenant's Guarantor from the covenants, indemnities and other obligations arising under or in respect of the Lease but without prejudice to any liability under that guarantee or those obligations (if any) that has accrued before completion of the Surrender or which remains pursuant to the Agreement for Surrender.

6. RELEASE OF THE LANDLORD

The Tenant releases the Landlord and its predecessors in title to the immediate reversion to the Lease from all the landlord covenants of the Lease without prejudice to any liability that has accrued before completion of the Surrender or which remains pursuant to clause 5.5 of the Agreement for Surrender.

7. PAYMENTS

On the date of this deed, the Tenant shall pay the Landlord the sum of two hundred and thirty thousand pounds (£230,000.00) (inclusive of VAT) by way of liquidated damages, as compensation for the breach by the Tenant of its covenants in the Lease relating to the state and condition of the Property and as compensation for the breach by the Tenant of its covenants in the 545 Lease relating to the state and condition of Unit 545.

8. LIABILITY

If the Landlord or the Tenant is more than one person, then in each case those persons shall be jointly and severally liable for their respective obligations arising by virtue of this deed. The Landlord may release or compromise the liability of any one of those persons or grant any time or concession to any one of them without affecting the liability of any other of them.

9. THIRD PARTY RIGHTS

A person who is not a party to this deed shall not have any rights under or in connection with it.

SIGNED as a deed by **SEGRO (WINNERSH) LIMITED** acting by a director and its secretary or two directors

Director

Director/Secretary

SIGNED as a deed by **EMERGENT PRODUCT DEVELOPMENT UK LIMITED** acting by a director and its secretary or two directors

Director

Director/Secretary

SIGNED as a deed by **EMERGENT BIOSOLUTIONS INCORPORATED** acting by a director and its secretary or two directors

Director

Director/Secretary

APPENDIX 3

List of Plant and Equipment

Item	Manufacturer	Model
Flow Cytometer	Beckman Coulter	FC500
Class II Safety Cabinet	Bioquell	ABS1200
Coldroom(1)	MISA	
Freezer, -85degC (H)	New Brunswick Scientific	U725-86
Freezer, -85degC (emergency back-up)	New Brunswick Scientific	U570-85
Fridge (B)	Liebherr	Profi Line
Fridge (C)	Liebherr	Profi Line UKS3600
Freezer, -85degC (M)	New Brunswick Scientific	U725-86
Freezer, -85degC (K)	New Brunswick Scientific	U570-85
Freezer	Lab Cold	
Centrifuge (refrigerated)	Hettich Centrifugen	46R (4610-01)
Flaked Ice Maker	Scotsman	AF10ASE 06UK
Autoclave (Opsprey 2)	LTE	Touchclave R
Dry air cabinet	GenLab	DC100
Balance (0-2100g)	Sartorius	BP2100S
RO Water System	Millipore	Elix 10
Hotplate stirrer	Stuart Scientific	CB302
Standard Stirrer	Stuart Scientific	SM5
Vortex mixer	Scientific Industries	G560E
Vortex mixer	Scientific Industries	G560E
Dry heat block	Techne	DB-3A FDB03AD
Vortex mixer	Scientific Industries	G560E
Vortex mixer	Scientific Industries	G560E
Vortex mixer	Scientific Industries	G560E
Vortex mixer	Scientific Industries	G560E
Benchtop centrifuge	Boeco	M-24
Benchtop centrifuge	Boeco	M-24
Benchtop centrifuge	Boeco	M-24
Balance (0-1 00g)	Mettler Toledo	AB104
IPGPHOR IEF Unit	Pharmacia Biotech	80-6414-02
Vortex Mixer	Scientific Industries	G560E
Gyro rocker plate shaker	Stuart	SSL3
Vortex Mixer	Scientific Industries	G560E
Incubator	LTE	IP60 UM040
Chart recorder	Dickson	KT803

Vortex Mixer	Scientific Industries	G560E
Waterbath	Grant	SUB6
Vortex Mixer	Scientific Industries	G560E
CO2 backup system	New Brunswick Scientific	U9043-0008
DB3A Dry Block	Techne	FDB03AD
Standard Stirrer	Stuart Scientific	SM5
Standard Stirrer	Stuart Scientific	SM5
Vortex Mixer	Scientific Industries	G560E
Electrophoresis system power pack	Amersham Pharmacia Biotech	EPS3501XL
Electrophoresis system power pack	Pharmacia Biotech	Multitemp III
Electrophoresis system (Multiphor II)	Pharmacia Biotech	18-1018-06
Electrophoresis system (Multiphor II)	Pharmacia Biotech	18-1018-06
Vortex mixer	Scientific Industries	G560E
Waterbath	Grant	SUB14
Water reservoir tank	Millipore	
Microscope	Leitz Wetzlar	Dialix 20BB
Bench top centrifuge	Boeco	M24 (2004-13)
Microflow Class II Safety Cabinet (Hood 1)	Bioquell	M51424/2
Waterbath	Grant	SUB14
Microflow Class II Safety Cabinet (Hood 2)	Bioquell	M51424/2102
Stand-alone UV light	UVITEC	L1330.G
BSC-G Class II Safety Cabinet	Faster (Wolf Laboratories)	BSC-G-2-6
Microflow Class II Safety Cabinet (Hood 4)	Bioquell	ABS1500F
Germicidal UV lamp	Bioquell	ABS1200UV
Microflow Class II Safety Cabinet (Hood 3)	Bioquell	ABS1500F
Auto gas cylinder changeover unit	Northern Technical and Chemical Services	PC30 Mk2.1
Freezer	Liebherr	Comfort GS5203
Vortex Mixer	Scientific Industries	G560E
Vortex Mixer	Scientific Industries	G560E
Vortex Mixer	Scientific Industries	G560E
Gyro rocker plate shaker	Stuart	SSL3
Block Thermostat	Grant	BT1
Vortex mixer	Scientific Industries	G560E
Gyro Rocker plate shaker	Stuart	SSL3
Hotblock	Grant	QBT2
Vortex mixer	Scientific Industries	G560E
Vortex mixer	Scientific Industries	G560E
Ultra Pure Water System	Millipore	A10TOC
Autoclave (Touchclave R)	LTE	TCR-40L-H1
Microscope	CETI	Star 24ED
Germicidal UV lamp	Bioquell	M26027
Germicidal UV lamp	Bioquell	not specified
Fridge	TEFCOLD	SD 1380
Freezer	TEFCOLD	UF1380
Fume Hood	Safe Aire	GS1200
Mielabor Multitronic Glass washer	Miele	G7783
Mielabor Multitronic Glass washer	Miele	G7783
Auto Gas Cylinder Changeover Unit	Northern Technical & Chemical Services	PC30 Mk3.4
Incubator	Binder	
Functionline incubator (D)	Heraeus	CB150
Olympian GEP150 diesel generator plus 12hr base tank	Caterpillar	BB16
Olympian ATI Load Transfer panel 630amp	Caterpillar	GEP150
Flammables Cupboard - underbench		
Acids cupboard - underbench		
Alkali cupboard - underbench		
25 curved desks & underdesk drawer set		
UV Germicidal Lamp	Bioquell	M26027
Various items of glassware		

To be left behind 535 until removal by Lonza
Currently located in 540, awaiting removal by Lonza

APPENDIX 4

Contract for Part of the Work required to split the Electricity Supply to 540 and

545 Eskdale Road

Our reference : DSW427B
Your reference :
Maurizio Durante
Emergent Product Development UK
Unit 540-545

Scottish and Southern Energy
New Connections
Reading Depot
Arrowhead Road
Theale

Eskdale Road
Winnersh Triangle
Wokingham, Berkshire
RG41 5TU

Berkshire, RG7 4AH
Direct Dial 101189 126604
Fax 101189 126506
Email steven.ball@sse.com
15 April 2011

Dear Mr Durante

UNIT 540 ESKDALE ROAD, WINNERSH TRIANGLE, WOKINGHAM RG41 5TU

Thank you for your recent enquiry. I am pleased to provide my quotation for new electricity connections at the above development. I enclose a draft plan of my proposals.

My proposals are subject to our obtaining all necessary legal consents to carry out the work as planned, including any consents required from third parties.

You are required to ensure that all works on your own electrical installations are carried out by a qualified electrical contractor. Statutory qualification schemes, for Building Regulation purposes, are currently run by NICEIC, SELECT, ECA, NAPIT, ELECSA, British Standards Institution and BRE Certification.

SSE Power Distribution plc is the Distribution Network Operator (DNO) for the area in which your project is located. There are Independent Connection Providers (ICP's) and Independent Distribution Network Operators (IDNO's) who may be able to provide you with an alternative quotation to carry out some of this work. Please refer to www.lloydsregister.co.uk for further details.

These charges have been calculated on the works proceeding in the manner described in this quotation and the associated documentation. You should be aware that we will charge for any additional work required.

I have calculated this quotation on the assumption that SSE will carry out all excavation and backfilling of cable trenches on the site.

Where you are undertaking any cable trenching you must also excavate and reinstate any joint holes as required by us along these cable routes. Our Team Manager will discuss the requirements with you.

This quotation, based on your site requirements, is free of charge. If the site requirements alter significantly such that additional quotations become necessary, SSE Power Distribution reserve the right to charge the reasonable costs we incur in providing any additional quotations for the same development.

What we will charge:

VAT is applicable to 100% of these values		Charges	VAT at 20%
1. Diversion costs Description:		£0.00	£0.00
2. Network Reinforcement costs Description:		£0.00	£0.00
Reinforcement Cost Breakdown			
Reinforcement- Total Costs	£0.00		
Reinforcement - SSEPD contribution due to Cost Apportionment (See Clause 21 of Terms and Conditions)	£0.00		
Reinforcement - Costs apportioned from previous scheme	£0.00		
Reinforcement - Costs to applicant	£0.00		
3. Connection Costs Number of Connections: 1 Commercial Supplies Description: To lay new 185wc to a 400amp cutout with 200amp fuses		£3,065.41	£613.08
TOTAL COSTS TO APPLICANT		£3,065.41	£613.08
TOTAL COSTS TO APPLICANT INC VAT			£3,678.49

Please enclose a cheque with your acceptance.

Important Notice—Traffic Management Act - Street Works Permit Schemes

Local Authorities in England and Wales are likely to introduce a new Permit Scheme for street works that will include charges for providing the permits. It is not clear at mis time which Local Authorities will introduce this scheme, when the scheme will be introduced, which streets will be affected or what the level of charges will be. These costs are not within SSEPD's control, and can not be absorbed by us.

This quotation **excludes** any costs that may be charged by the Local Authority in respect of these charges. It is important to note that any such charges which are relevant to this project will be subsequently passed on to you through a separate invoice. In addition to the actual charges from the Local Authority, we will require to charge an additional £25 + VAT to cover our administrative costs associated with this scheme. Acceptance of this quotation means that you also accept these additional charges.

You may wish to seek clarification on how these charges may affect you from the relevant Local Authority.

Supply Details:

New Supply

Please note we will not energise the supply until you have following agreements in place:

- Supply Agreement; and
- Connection Agreement

Please ensure the connection agreement is signed by whoever will be responsible for the associated charges and returned to SSE Power Distribution at least one month before the supply is required.

The connection will be three phase, 230/400 Volts, alternating current, at 50Hz, and with a maximum capacity of 160 kVA. You will need to balance the electrical load evenly across the phases to avoid overloading.

Supply Agreement

Before we can provide you with a supply of electricity, you must appoint an electricity supplier. You need to agree the date when you wish the supply to begin with your supplier and tell us in advance of this start date. We cannot energise a supply until a supply agreement is in place and we know the supply start date for the particular property. A list of electricity suppliers can be found on the OFGEM website (www.ofgem.gov.uk).

When your electrical demand exceeds 100 kW (over a 3 month average) it will be necessary for you to appoint a Meter Operator, we will contact you in this event to put arrangements in place.

Connection Agreement

This quotation is subject to you/your client entering into a Connection Agreement (attached) with SSE Power Distribution to accept responsibility for available capacity charges based on 160 kVA for a minimum period of five years. This is a maximum demand type of supply. It may be billed monthly and attract availability and demand charges as well as unit charges. You should discuss this with your supplier prior to accepting this quotation to ensure that you fully understand the running costs.

Important Safety Note:

Electricity Distribution companies, including SSE Power Distribution, are not required to provide, or continue to provide, a Connection to their distribution systems unless reasonably satisfied that a Customer's electrical installation is complete, safe and complies with the Electricity Safety, Quality and Continuity Regulations 2002 (as amended). Therefore and for your continued safety you should ensure, whenever you have any wiring alterations or additions undertaken on your electrical installation, that a safety statement or declaration is completed by your appointed Electrical Contractor or Qualified Electrician. This document should also be retained by you for future reference.

Your Electrical Contractor or Qualified Electrician shall also provide you with a completion certificate once they have completed any wiring alterations or additions to your electrical installation. The certificate shall state whether your electrical installation complies with BS7671 as amended (IEE Wiring Regulations). This certificate should also be retained by you.

Further advice on Electrical Contractors and Qualified Electricians may be obtained from the organisations listed below:

http://www.niceic.org.uk

http://www.select.org.uk

http://www.napit.org.uk

http://www.elecsa.org.uk

http://www.eca.co.uk

http://www.bsi-global.co.uk

http://www.bre.co.uk

What To Do Next;

If you wish to accept my quotation please complete and return the attached acceptance form, including the name and contact details of your site services co-ordinator. I will then arrange for our Team Manager to contact your office to discuss the programming of our works to meet your requirements. We cannot start our works until we have the necessary legal consents.

Other Information:

You must comply with the provisions of the attached *Site Information and Customer Requirements* document which will be deemed to form an integral part of this quotation. Please read this document carefully. If you accept my quotation, please pass the schedule to your site services co-ordinator with the draft plan.

My proposals and this quotation depend on us obtaining all necessary consents and permissions from third parties. All electrical installations (including temporary supplies) must comply with the current edition of BS767I, as amended, the IEE Wiring Regulations.

This quotation is open for acceptance for one month from the date of this letter and is subject to the enclosed SSE Power Distribution Standard Terms and Conditions (10/08/07) I look forward to hearing from you.

Yours sincerely

Steve Ball

DeskTop Quoting

Enclosures:

Quotation Acceptance form

Connection Agreement

Terms and Conditions

Site Information and Customer Requirements document

Draft Site Plan

Trench Specification

This quotation serves as a counter-notice under clause 16A(5) of the Electricity Act 1989. Should you have any concerns, relating to this quotation please contact me using the details on the first page of this letter and I will try to resolve any issues directly with you. If you still then have concerns, the Act allows for any unresolved disputes relating to the provision of this quotation to be determined by die Gas and Electricity Markets Authority.

SSE Power Distribution Quotation Acceptance

Our Reference: DSW427B
Site Address: Unit 540 Eskdale Road, Winnersh Triangle, Wokingham RG41 5TU
Your Site Co-ordinator: **& Telephone Number:**
To: New Connections **From:**Maurizio Durante
Reading Depot **Address:**
Arrowhead Road **(for receipt)**
Theale **Telephone**:
Berkshire, RG7 4AH
I propose to appoint SWALEC as my Supplier (i.e. the company that will send you your electricity bill).

I accept your quotation for this work and agree to SEE Power Distribution adopting the assets on completion of the Works.

Date Connection Required: 16/05/2011
Signed: Please Print Name: S.P. Lockhart
Amount Enclosed: £3,678.49 incl VAT Date: 21/04/2011
Please complete the top part of this form and return it with your cheque, or a copy of your remittance advice if paying by bank transfer.
Please make any cheques payable to Southern Electric Power Distribution plc.
If paying by bank transfer please tick this box: R Bank details: NatWest; Power Systems BACS Payments, Sort Code 60-17-21, Account No 76793869. Quote reference: DSW427B
We will not be able to arrange a programme of work unless this Acceptance and your cheque or proof of payment are received

SSE Power Distribution Payment
This is not a Tax invoice. A V.A.T. receipt will be issued on payment
CIS 5 Details - SSB Power Distribution is a trading name of Southern Electric Power Distribution Plc, UTR no. 64581 10616
Re: Unit 540 Eskdale Road, Winnersh Triangle, Wokingham RG4I 5TU
Customer Name: Maurizio Durante
Customer Address: Unit 540 – 545
Eskdale Road
Winnersh Triangle
Wokingham, Berkshire
RG41 5TU

Zero Rated Work	£0.00
Standard Rated Work	£3,065.41
VAT 20%	£613.08
Total Due	£3,678.49

SITE INFORMATION AND CUSTOMER REQUIREMENTS

SSE Power Distribution Reference: DSW427B

Site Address: Unit 540 Eskdale Road, Winnersh Triangle, Wokingham RG41 5TU

Quotation date: 15 April 2011

This schedule gives details of the site works you will need to complete for us to meet your requirements. **Please read this document carefully as any problems with these works may result in additional costs and/or delays**. If you need any assistance please contact me.

When we attend to undertake our works you must ensure that any substation site/s, cable routes and any associated overhead line positions are clear of all encumbrances and ready for on site construction

Locating Cables on Site:

The draft job plan I have enclosed with this quotation is not suitable for locating cables on site. To obtain the latest copies of our cable records please send a plan of the area in question to

SSE Power Distribution Mapping Services

P O Box 6206

BASINGSTOKE

RG24 8BW

Tel: 01256 337294

Fax: 01256 337295

requesting details of any SSE Power Distribution plant and cables in the area together with your contact details. You must excavate hand-dug trial holes to establish the actual positions of all cables before any mechanical excavation works commence.

Cable Routes and Ducts:

The proposed cable routes are shown on the draft site plan. Before we can lay our cables you will need to set out kerb lines, establish levels where roads or footpaths are not yet being constructed, and provide routes clear of obstructions or building materials. We will charge you for any subsequent alterations to our cables because of changes to the site layout

You will need to install 150mm diameter road crossing ducts. These must be twin walled **black** polyethylene ducting such as Ridgiduct, complying with the current edition of the ENATS specification 12-24 or internally glazed vitreous clayware pipes specifically intended for electricity cables as specified in the current edition of BS 65.

Duct crossings must be laid at a depth of not less than 600mm and not more than 800mm below the finished road surface. The crossings should extend approximately 150mm beyond the kerb line on either side of the road, and the ends should be blanked off to prevent ingress of spoil.

Please ensure that ducts provided for our use are spaced at least 1.0m clear of inspection pits and other duct lines to ensure working clearance at the ends of the ducts.

SITE INFORMATION AND CUSTOMER REQUIREMENTS

The positions of the ducts should be clearly indicated on site. You are responsible for locating and exposing the ends of the ducts.

Trenching and Inspection of Cables:

Where you are trenching for our cables, further information is available in our ‘Mains Trenching Guide’. Please ask our Team Manager for a copy. This will ensure you meet our requirements and comply with the NJUG recommendations.

We will blind our cables using suitable material - which must be free of sharp stones and rocks etc.. Where the excavated material is not suitable, you will need to provide us, free of charge, an alternative material for this purpose, typically sand. You will be responsible for backfilling and reinstatement of the trenches. Please contact our Team Manager a few days before you start works on site and he will visit and advise you on any additional requirements.

Service Intake and Metering:

Service Termination for Commercial Supply
The service termination and metering equipment will be at the position shown on the plan. We will need a wall space approximately 960mm wide x 1,800 high, with a clear access space of approximately lm in front.

Your electrical contractor must supply and fit compression lugs required to terminate supply tails after consultation with our operative. The tails must be single core and comply with BS 6004: ‘Electric Cables - PVC insulated, non-armoured cables for voltages up to and including 450/750 V, for electric power, lighting and internal wiring’. Tails enclosed in trunking are to be single insulated to BS 6004 Table 4 and exposed cables are to be insulated and sheathed to BS 6004 Table 7. Please note that the maximum length of your supply tails is 3 metres.

Earthing:

The electrical installation must comply with statutory requirements. Protection against earth leakage currents is at all times the responsibility of the customer. We are unable to provide an earthing terminal, and it will be necessary for you to make your own arrangements for protection against earth leakage currents. The usual and preferred method would be the adoption of an earth electrode and a suitable residual current device.

Special Loads:

I shall need to know if you propose to install any motors, welders, control gear or other equipment which might generate harmonics. Such equipment may affect electricity supplies to other customers hi the area, as well as damaging our own equipment.

If you connect this type of equipment without our prior agreement, we may insist upon its disconnection until the situation has been resolved.

Harmonic Distortion Limits:

The complete installation must strictly comply with the requirements detailed in the Electricity Association Engineering Recommendation G5/4 “Planning levels for harmonic voltage distortion and the connection of non-linear equipment to transmission systems and distribution networks in the United Kingdom”. The connection must comply with the Stage 1, Stage 2 or Stage 3 limits as specified by G5/4.

SITE INFORMATION AND CUSTOMER REQUIREMENTS

SAFETY:

We ask you to take note of the following:-

In accordance with the Health & Safety Guidance Note GS6, you are required to take every precaution to ensure that cranes, tipper lorries, scaffolding, ladders and other plant employed on your works are kept at a safe distance from overhead electric lines and their supports and that such supports are not disturbed by excavations. Goal posts with height restriction will need to be placed at appropriate locations for vehicles passing underneath SSE Power Distribution's overhead lines.

In accordance with Health & Safety Executive Guidance Note HS (G) 47 care will also be necessary when digging in proximity to underground cables, particular if mechanical excavators are used.

Overhead lines, underground cables and other electrical plant must be regarded as being "live". Before commencing work in proximity to such plant written notification must be given to SSE Power Distribution.

If during the course of your works, any cable should be damaged by you/or your contractors, then this fact must be reported to our **No Supply Bureau on 08000 72 72 82 immediately**. The cost of any repairs will be fully rechargeable.

Customer required to complete the details requested In areas marked * below.**
CONNECTION AGREEMENT **MPAN:**
Please Quote Ref:D

THIS AGREEMENT is made on the of , 2001
BETWEEN:
SOUTHERN ELECTRIC POWER DISTRIBUTION PLC *(the "Company");
And
(the "Customer")
Each party a "Party" together the "Parties".
The Standard Terms and Conditions of this Agreement are detailed overleaf.
Premises Address: 540 Eskdale Road (the "Premises");
Winnersh Triangle
Wokingham
RG41 5TU

Point of Supply: At the outgoing terminals of the Company's equipment
Type of Connection: LV LV/HV (or other Supply Details)
Profile: (see Clause 1.4 overleaf)
Available Capacity: kVA (see Clause 1.4 overleaf)
Cost Apportionment Contribution: £ (Where relevant, the Customer shall be liable for the full value of the Cost Apportionment Contribution received from the Company if this Connection Agreement is terminated within 5 years of execution of said agreement. See Clauses 1.3, 1.4 and 5.3 overleaf.)
Voltage: 400/230 Volts **Phases**: 3 **Frequency**: 50 Hz
Special Conditions:

Address for Serving Notices ONLY:
Company Address:
Power Systems Billing
SSEPD
PO Box 6458
Basingstoke
RG21 8ZD

***Customer Address: (if different from Premises Address, above)**

I / We have read and understand the Standard Terms and Conditions detailed overleaf.

Signed on behalf of Customer *** ***

(signature) (print name and designation)
Signed on behalf of Company

(signature) (print name and designation)
*Issuer to delete as required.

SSEPD is a trading name of. SSE Power Distribution Limited Registered in Scotland No. 21349: Scottish Hydro Electric Transmission Limited

Registered in Scotland No. 213461; Scottish Hydro Electric Power Distribution Limited Registered in Scotland No 213460

(all having their Registered Offices at Inveramond House 200 Dunkeld Road Perth PHI 3AQ); and Southern Electric Power Distribution plc Registered in England & Wales No. 4094280 having its Registered Office at Westscott Way Littlewick Green Maidenhead SL6 3QB

www.scottish-southern.co.uk

Standard Terms and Conditions

WHEREAS the Customer has requested the Company to connect the Promises identified overleaf to its distribution system for the purpose of receiving a supply of electricity (the "Supply"). It is hereby agreed:
THE CONNECTION

1.1 Subject to the completion of the necessary connection works the Company shall permit the Customer's installation to be connected to the Company's distribution system upon the terms of this Agreement and shall provide and maintain such connection subject to all statutes, laws, directives and resolutions applicable from time to time (the "Legislation").
1.2 The Customer shall provide suitable accommodations for the Company's equipment and apparatus on the Premises and shall keep the same in good repair and condition at all times and at no cost to the Company.
1.3 The Customer undertakes that for a minimum period of 5 years from the date of connection the Customer will not reduce the agreed Available Capacity as specified overleaf.
1.4 If the Customer wishes to reduce the agreed Available Capacity as specified overleaf or terminate this Agreement before the minimum period of 5 years has expired the Customer shall be liable to pay to the Company the full amount of any applicable Cost Apportionment Contribution made in their favour (as may be indicated overleaf in the item entitled Cost Apportionment Contribution) in addition to any sums due under clause 5.3.
1.5 The Customer is not permitted to take electricity through the connection in excess of the agreed Available Capacity as specified overleaf and, in breach, the Customer shall pay any reasonable costs incurred by the Company as a result (without prejudice to the Company's right to terminate the Agreement).
1.6 The Customer shall not operate or permit the Customer's installation or any electrical equipment on the Premises to be operated in a manner which adversely

affects or impairs the Company's distribution system and shall not interfere or permit interference with any equipment or apparatus of the Company situated on the Premises.

1.7 The Customer shall not connect generating plant either directly or indirectly to the Company's distribution system without the prior written consent of the Company, such consent not to be unreasonably withhold.

1.8 The Company may modify its distribution systems whether at or remote from the connection without the consent of the Customer and the Parties shall negotiate in good faith any necessary amendments to the Agreement. The Company shall have no obligation to compensate the Customer for the cost of any modification required to be made by the Customer as a result of such modification.

2. THE METERING EQUIPMENT

2.1 The Customer shall arrange for the holder of a valid registration certificate issued by the Office of Gas and Electricity Markets to operate and maintain the metering equipment at the Premises for the duration of this Agreement.

3. THE SUPPLY OF ELECTRICITY

3.1 The Customer shall not take a supply of electricity at the Premises from any party unless that party has entered into an agreement with:

(i.) the Customer for the supply of electricity to the Premises; and

(ii.) the Company for the use of its distribution system in respect of the Premises

and such agreements have become unconditional and continue in full force and effect.

4. RIGHTS OF ACCESS

4.1 The Customer shall afford the Company (and its sub-contractors) safe and unobstructed access to the Premises at all reasonable times upon reasonable notice for any purpose connected with this Agreement and with the Company's distribution system provided that in an emergency and for the reading of meters access shall be afforded at any time without notice.

5. TERMINATION

5.1 The customer shall be entitled to terminate this Agreement by giving the Company one month's notice in writing to that effect.

5.2 The Company shall be entitled to terminate this Agreement forthwith upon notice to the Customer in the event that:

(i.) the Customer shall fail to pay any amount properly due and payable to the Company in connection with the provision of any supply of electricity; or

(ii.) without prejudice to above, the Customer shall be in breach of any term of the Agreement and (if it is capable of remedy) fails to remedy such breach within 14 days;

(iii.) the Customer shall in the reasonable belief of the Company have made unauthorized use of electricity; or

(iv.) the Customer is unable to pay its debts or enters into liquidation either compulsory or voluntary (or being an individual is made bankrupt) or compounds with, or convenes a meeting of, its creditors or has a receiver, manager or administrator appointed in respect of whole or any part of its assets, or if the customer ceases, or threatens to cease, to carry on business.

5.3 Upon termination of this Agreement for whatever reason the Customer shall pay to the Company all sums then due and payable or accrued due under the Agreement and any costs incurred by the Company as a result of such termination.

6. LIABILITY

6.1 Neither Party shall be liable for any breach of this Agreement directly or indirectly caused by any event or circumstance which is beyond the reasonable control of a Party and which results in or causes the failure of that Party to perform any of its obligations under the Agreement ("Force Majeure") provided that lack of funds shall not constitute Force Majeure nor shall payment obligations be affected by the Force Majeure.

6.2 Subject to Clause 6.3 neither Party shall be liable to the other Party for the loss or damage arising in connection with this Agreement (whether resulting from breach of the Agreement which is reasonably foreseeable as likely to result from such breach and which resulted from physical damage to the property of the other Party or to the property of any third party for which the other Party is adjudged liable provided that:

(i.) the liability of either Party under this Clause 6.2 shall be limited to £100,000 for each incident or series of related Incidents; and

(ii.) neither party shall in any circumstances be liable to the other Party for any loss of profit, revenue, business, savings (anticipated or otherwise) or any form of economic or indirect or consequential loss.

For the purpose of this Clause 6.2 property shall include work in progress valued at cost.

6.3 Nothing in this Agreement shall exclude or limit the liability of either Party for death or personal injury resulting from the negligence of that Party.

7. DISPUTES RESOLUTION

7.1 Subject to any contrary provision in the Legislation any dispute or difference arising between the Parties under or out of this Agreement shall be referred to arbitration pursuant to the arbitration rules of the Electricity Arbitration Association in force from time to time.

7.2 If this Agreement applies in Scotland it shall be governed by and constructed in accordance with the Laws of Scotland. If the Agreement applied in England and Wales the Agreement shall be governed by and constructed in accordance with English Law which shall be the proper law of any reference to arbitration and the provisions of the Arbitration Acts 1950 to 1979 shall apply to any such arbitration wherever conducted.

8. GENERAL

8.1 This Agreement is personal to the Customer and may not be assigned by the Customer without the Company's prior written consent. The Company may assign all or any part of its rights and sub-contract any of its obligations under this Agreement without the Customer's consent provided that the assignee shall hold the requisite electricity license.

8.2 Any notice given by a Party shall be addressed to the other Party at the address or facsimile number specified overleaf shall be in writing given by hand, first class pre-paid post or facsimile and shall be deemed to have been received:

(i.) in the case of delivery by hand, at the time of delivery;

(ii.) in the case of first class pre-paid post, on the second clear day following the day of posting;

(iii.) and in the case of facsimile, on acknowledgement of the addressee's facsimile machine is before 17.00 hours but, if later, on the following working day.

8.3 No variation or waiver of this Agreement shall be effective unless made in writing and signed by the Parties and no delay in exercising any term, condition, right or remedy under this Agreement shall operate to impair the same.

8.4 Any Special Conditions detailed overleaf shall prevail in the event of a conflict with these Standard Terms and Conditions.

8.5 This Agreement constitutes the entire agreement between the Parties and the Parties confirm they have not entered into this Agreement on the basis of any representatives that are expressly not incorporated in this Agreement.

The Company's Standard Terms and Conditions

Definitions:

The "Company"	Shall mean either Scottish Hydro Electric Power Distribution plc as the content requires;
The "Adoption Agreement":	The agreement between the Customer and the Company for adoption of any Contestable Connection Works undertaken by the Customer;
The "Agreement":	These conditions of contract and the Quotation;
The "Agreement Date":	The date of acceptance of the Quotation;
The "Agreed Contract Price":	The total price payable to the Company for the Works as shown in the Quotation;
The "Connection Agreement":	The agreement between the Company and the Customer relating to the connection of the Customer's premises;
The "Cost Apportionment Contribution":	A financial contribution made with respect to the costs of connection from the Company in favour of the Customer;
The "Customer" or "Applicant":	The person, firm or company whose name and address is shown in the Quotation;
The "Equipment":	The equipment, plant and/or apparatus the Company will supply as detailed in the Quotation;
The "Quotation":	The Quotation or Offer letter supplied with these conditions of contract;
The "Site Information & Customer Requirements":	Customer Requirements document supplied with the Quotation; and
The "Works":	The works that the Company will carry out as detailed in the Quotation.

1. The Quotation remains open for acceptance in writing for one calendar month, unless notified by the Company in writing to the contrary. The Company reserves the right to amend or withdraw the Quotation at any lime prior to the Customer accepting it.
2. The Customer will provide the Company with all the facilitates reasonably necessary to enable it to complete the Works in the most economical manner. In default the Customer shall pay the Company auth reasonable additional costs that may result.
3. Whereas any changes to the Works are required other than as a result of the Company's negligence the Company shall submit written details of the additional cost to the Customer who shall be entitled to terminate the contract upon giving the Company written notice within 6 working days of the date of submission of such details. In the event of termination the Customer shall pay the Company's reasonable charges for the work done or committed and materials purchased prior thereto and reimburse any costs or expense incurred or committed by the Company in obtaining any wayleaves and consents.
4. A suitable level substation site(s) complying with the Company requirements shall be provided by the Customer and conveyed to the Company at the nominal 20 price of £1. The Customer will meet their legal and other fees and expenses, the legal sad other toes and expenses of the Company and the legal and other expenses of any consentor in connection with the conveyencing to follow hereon.
5. The Customer will grant any wayleaves or cable easements requited over his properly, provide and install ducts for on site road crossings and for service cable entry and agree service terminations In a position acceptable to the Company, provide and install service tubes from the back of the footpath to the premises which the connection is required terminating where possible in an external meter reading cabinet.
6. The Customer wit, at no cost to the Company and to a satisfactory standard reasonably specified by the Company, be responsible for carrying out al on site cable trenching for services, LV and HV mains cable, other then within substation sites and for backfilling and trench reinstatement once the Company has laid and covered the aforesaid cabling.
7. The Customer will be responsible for all building costs associated with the supply intake and any meter cabinet
8. The Customer will provide service termination facilities, in a position acceptable to the Company.
9. The Quotation is subject to obtaining all necessary wayleaves and consents for carry out the Works. If alternative arrangements are necessary they are likely to have a significant impact on costs. The Quotation assumes all plant and equipment will be placed in public highway or land owned or controlled by the Customer who will provide all necessary wayleaves and consents free of charge. The Customer will pay the full cost of obtaining any necessary wayleaves and/or consents from third parties (including wayleave damage claims) in addition to the Agreed Contract Price provided that where these have significant impact

satisfactorily completing any Contestable Connection Works and an Adoption Agreement with the Company covering the Contestable Connection Works, the whole of the Works, Equipment and the aforesaid Contestable Connection Works shall become the property of the Company. The Customer shall protect the Equipment from any damage or interference between delivery to the site and completion of the Works and shall indemnify the Company for any toss or damage to the Equipment during such period. The Company shall be responsible for the final connection of the Works to its distribution system.

21. The Quotation is net of any Cost Apportionment Contribution due to the Customer and no further contributions or allowances are applicable. The value of the Cost Apportionment Contribution has been calculated on the bests of, inter alia, the Equipment specified in the Quotation the available capacity agreed for the development, the build rate and the electrical heating the Customer has declared will be installed. The value of Cost Apportionment Contribution made in favour of the Customer by the Company will be indicated the attached Quotation and its value may be recalculated by the Company to reflect any alteration to the basis of the calculation and the Customer will refund any over upon demand. The Customer shall be liable to pay to the Company the full value of the Cost Apportionment Contribution received from the Company in the event the:

(i) Connection's Available Capacity, as indicated in the Connection Agreement (see Clause 22 below) is reduced by the Customer within 5 years of execution of their Connection Agreement; or,

(ii) Connection Agreement is terminated by the Customer or the Company within 5 years of execution of said agreement.

In the event this Agreement is terminated prior to the completion of the Connection, the Customer shall be liable to pay to the Company a proportion (to be determined by the Company) of the Cost Apportionment Contribution.

22. It is a Condition of the Quotation that the Customer shall enter into a Connection Agreement with Company prior to energisation of the Connection.
23. The Customer will carry out the site work specified in the Site Information and Customer Requirements document.

on the overall cost the Customer shall be entitled to terminate the contract upon written notice to the Company. In the event of termination the Customer shall pay the Company's reasonable charges for the work done or committed and materials purchased prior thereto and reimburse any costs or expense incurred or committed by the Company in obtaining any wayleaves end consents.

10. It is assumed that the Company will carry out all Works during normal working hours. There wilt be an additional charge for any overtime working at the Customer's request.
11. The Quotation is based on materiel and labour costs prevailing at the Agreement Date, the Company shall have the right to very the Agreed Contract Price in accordance with any variations in the material or labour costs subsequent to the Agreement Data (unless otherwise stated in the Quotation) upon submitting written details of the additional cost to the Customer who shall be entitled to terminate the contract upon giving the Company written notice within 5 working days of the data of submission of such details. In the event of termination the Customer shall pay the Company's reasonable charges for the work or committed and materials purchased prior thereto and reimburse any costs or expense incurred or committed by the Company in obtaining any wayleaves and consents.
12. Unless otherwise agreed the Company requires full payment 28 days prior to commencement of the Works. All other arrangements will be subject to status.
13. The Company may submit progress invoices to the Customer, in respect of the amount of labour expended and materials delivered to sites and the Company's stores up to the date of the progress invoice.
14. Adjustments will be made to the rates of VAT to those applicable at the date of the invoice or payment whichever is the earlier.
15. The Customer must settle invoices within 28 days of the date of the invoice.
16. If any amount remains unpaid after the due date, the Company shall (in addition to any other remedies) be entitled to charge interest on the amount unpaid at the annual rate of 3% over the base lending rate of National Westminster Bank plc in relation to the Cornpany's Works.
17. Unless otherwise agreed in writing by the Company time is not of the essence in relation to the Company's Works.
18. Subject to condition 17, the Company shall have no liability to the Customer for any loss of profit, revenue, business, savings, (anticipated or otherwise) or any other form of economic loss (whether or not occurring in connection with physical damage) resulting from or arising out of the Company's negligence provided that the above shall not exclude or restrict the liability of the Company for death or personal injury.
19. The Customer acknowledges and confirms that it does not enter into the Agreement in reliance on any oral representation, warranty or undertaking not fully reflected in tile terms of the Agreement aid that no amendment modification or substitution to The Agreement shall be effective unless executed in writing by both parties.
20. The Equipment shell at all times remain the property of the Company. On completion of the Works end, with respect to any Contestable Connection Works undertaken b the Customer, the Customer both

24. This Quotation is based on the understanding that the Works will not be undertaken on contaminated land. Where contaminated land is found by or advised to the Company additional charges will be rendered to the Customer in accordance with condition 3.

25. The Customer in accepting the Quotation, or the person acting on their behalf, shall note that S&S Limited will act as the agent of the Company and the contract will be with the relevant party (Scottish Hydro Electric Transmission Limited with respect to Transmission works, or Scottish Hydro Electric Power Distribution plc with respect to Distribution works. If the aforesaid Transmission or Distribution works are being carried out in Scotland), or, Southern Electric Power Distribution plc (If the aforesaid Distribution works are being carried out in England and Wales) in accordance with the terms and conditions of the Agreement.

EXHIBIT 10.7

Dated 17 May 2011

(1) SEGRO (WINNERSH) LIMITED

(2) EMERGENT PRODUCT DEVELOPMENT UK LIMITED

Deed of variation

relating to a lease dated 13 December 1996 made between (1) Slough Properties Limited and (2) Azur Environmental Limited in respect of 540 IQ Winnersh Wokingham Berkshire

Eversheds LLP
1 Callaghan Square
Cardiff
CF10 5BT

Tel 0845 497 9797
Fax 0845 498 7333
Int +44 29 2047 1147
DX 33016 Cardiff
www.eversheds.com

CONTENTS

Schedules

PARTICULARS

Date	17 May 2011
Landlord	SEGRO (WINNERSH) LIMITED (registered number 05472073) whose registered office is at Cunard House 15 Regent Street London SW1Y 4LR.
Tenant	EMERGENT PRODUCT DEVELOPMENT UK LIMITED (registered number 03270465) whose registered office is at 545 Eskdale Road Winnersh Wokingham Berkshire RG41 5TU.
Electrical Works	Has the meaning attributed to that term in an Agreement for Surrender dated 17th day of May 2011 between the Landlord (1) the Tenant (2)
Lease	A lease of the Property dated 13 December 1996 made between (1) Slough Properties Limited and (2) Azur Environmental Limited.
Property	Unit 540 Eskdale Road, IQ Winnersh, Wokingham, Berkshire.
Rent Deposit	The amount held in the Account pursuant to the terms of the Rent Deposit Deed such amount being currently seventy-one thousand two hundred and eighty pounds (£71,280.00).
Rent Deposit Deed	A rent deposit deed of 06 December 2005 made between (1) Slough Estates (Winnersh) Limited and (2) Emergent Europe Limited

THIS DEED OF VARIATION is made on the date set out in the Particulars

BETWEEN

(1) The Landlord; and

(2) The Tenant;

BACKGROUND

(A) The Lease was entered into by the persons whose names appear in the definition of the Lease in the Particulars.

(B) The parties to this Deed of Variation are now or remain entitled to the benefit of the Lease and have agreed to vary it on the terms set out in this Deed of Variation.

OPERATIVE PROVISIONS

1. **INTERPRETATION**

1.1 Words and expressions defined in the Lease have the same meanings in this Deed of Variation except to the extent that they are expressly varied by this Deed of Variation.

1.2 The provisions of the Lease relating to its interpretation apply to this Deed of Variation except to the extent that they are expressly varied by this Deed of Variation.

1.3 This Deed is supplemental to the Lease. A breach of this Deed is to be regarded as a breach of the Lease and will permit the Landlord to exercise its right of re-entry under the Lease.

1.4 Sums payable under this Deed will be recoverable as rent in arrears under the Lease.

1.5 The Particulars form part of this Deed and words and expressions set out in the Particulars are to be treated as defined terms in this Deed.

1.6 The parties to this Deed do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

2. **VARIATION OR SUBSTITUTION OF CLAUSES**

The Lease is to be read and interpreted as if the variations to it in Schedule 1 were set out in full in the Lease.

3. **EFFECTIVE DATE**

The amendments to the Lease made by this Deed of Variation take effect from and including the date of this Deed of Variation.

4. **CONTINUATION OF THE LEASE**

4.1 The terms of the Lease continue in effect as amended by this Deed of Variation.

4.2 This Deed of Variation does not release any party to it from any breaches of the Lease existing at the date of this Deed of Variation.

5. **LICENCE TO ALTER**

The Landlord hereby consents to the Tenant installing an electricity submeter into the Property and carrying out the Electrical Works.

6. **RENT DEPOSITS**

The Landlord and the Tenant confirm that the Rent Deposit will continue to be held in accordance with the terms of the Rent Deposit Deed.

7. **EXECUTION**

The Landlord and the Tenant have executed this Deed of Variation as a deed and it is delivered on the date set out in the Particulars.

SCHEDULE 1

Variation of Clauses

The following clause replaces clause 8 of the Lease:

8 "TENANT'S OPTION TO DETERMINE

8.1 In this clause 8 the following expressions have the following meanings:

"First Break Date" means 25 November 2012;

"Second Break Date" means 25 November 2013;

"Third Break Date" means 25 November 2014;

"Fourth Break Date" means 25 November 2015; and

"Break Date" means any of the above dates

8.2 If the Tenant wishes to determine this lease on any of the Break Dates and shall give to the Landlord not less than 6 months prior notice in writing expiring on the relevant Break Date then subject to the pre-conditions in clause 8.3 upon the expiry of such notice the Term shall immediately cease and determine but without prejudice to the rights of either party in respect of any antecedent claim or breach of covenant.

8.3 The pre-conditions are that the Tenant shall:

8.3.1 on or prior to the relevant Break Date vacate the Premises and ensure that any subleases of the Premises are validly terminated prior to the relevant Break Date and no subtenants or other third parties remain in occupation of the Premises;

8.3.2 have paid all the Rent reserved by this Lease up to the relevant Break Date provided such Rent has been duly demanded not less than 28 days prior to the relevant Break Date;

8.3.3 on or before the First Break Date pay the sum of £321,000 together with any value added tax to be paid in addition to and not in substitution for any other sum payable under this Lease to the Landlord if the Tenant exercises the option to determine this Lease on the First Break Date;

8.3.4 on or before the Second Break Date pay the sum of £240,000 together with any value added tax to be paid in addition to and not in substitution for any other sum payable under this Lease to the Landlord if the Tenant exercises the option to determine this Lease on the Second Break Date;

8.3.5 or before the Third Break Date pay the sum of £160,500 together with any value added tax to be paid in addition to and not in substitution for any other sum payable under this Lease to the Landlord if the Tenant exercises the option to determine this Lease on the Third Break Date; and

8.3.6 on or before the Fourth Break Date pay the sum of £80,230 together with any value added tax to be paid in addition to and not in substitution for any other sum payable under this Lease to the Landlord if the Tenant exercises the option to determine this Lease on the Fourth Break Date

Provided that a cheque drawn on the client account of the Tenant's solicitors for the amount of the payment referred to in either of clauses 8.3.3, 8.3.4, 8.3.5 or 8.3.6 and delivered to the registered office of the Landlord on or before the relevant Break Date shall be sufficient to discharge the obligation to make the payment.

8.4 Following any determination of this Lease by the Tenant pursuant to clause 8.2 the Landlord shall repay to the Tenant any overpayment of the Rent and insurance rent for the period beginning on but excluding the relevant Break Date up to and including the date up to which the Tenant has paid the Rent and the insurance rent (as the case may be).

8.5 The Landlord may waive any of the pre-conditions set out in clause 8.3 at any time before the relevant Break Date by written notice to the Tenant.

8.6 On or before the Break Date the Landlord shall, if applicable, provide the Tenant with a VAT invoice in respect of the payment due pursuant to clause 8.3.3/8.3.4/8.3.5/8.3.6.

8.7 The parties shall act in good faith in relation to these provisions."

SIGNED as a deed by SEGRO (WINNERSH) LIMITED acting by a director and its secretary or two directors)
)
)
)

Director

Director / Secretary

SIGNED as a deed by EMERGENT PRODUCT DEVELOPMENT UK LIMITED acting by a director and its secretary or two directors)
)
)
)

Director **/s/Stephen Lockhart**

Director / Secretary **/s/Emma Wheatley**

EXHIBIT 10.8

DATED MAY 17 2011

SEGRO (WINNERSH) LIMITED (1)

EMERGENT PRODUCT DEVELOPMENT UK LIMITED (2)

DEED OF SURRENDER

relating to

Units 545 Winnersh Triangle, Wokingham, Berkshire

Manches LLP

9400 Garsington Road

Oxford Business Park

OXFORD OX4 2HN

Tel +44 (0)1865 722 106

Fax +44 (0)1865 201 012

DX 155710 Oxford 13

www.manches.com

Ref: SPS/ELV/180251/264906

INDEX

DATE

HM Land Registry

Landlord's title number: BK 165703

Administrative area: WOKINGHAM

PARTIES

(1) **SEGRO (WINNERSH) LIMITED** (registered number 05472073) whose registered office is at Cunard House 15 Regent Street London SW1Y 4LR ("Landlord");

(2) **EMERGENT PRODUCT DEVELOPMENT UK LIMITED** (registered number 03270465) whose registered office is at 545 Eskdale Road Winnersh Wokingham Berkshire RG41 5TU ("Tenant");

BACKGROUND

(A) This deed is supplemental to the Lease.

(B) The Landlord is entitled to the immediate reversion to the Lease.

(C) The residue of the term granted by the Lease is vested in the Tenant.

(D) The Landlord and the Tenant have agreed to enter into this deed.

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation set out in this clause 1 apply in this deed.

"Agreement for Surrender"	means an agreement for the surrender of the Lease dated _____ day of _____ and made between the Landlord (1) the Tenant (2).
"HMLR"	HM Land Registry.
"Landlord's Conveyancer"	Eversheds LLP of 1 Callaghan Square, Cardiff CF10 5BT (Ref: Kate Anderton) or any other conveyancer whose details may be notified in writing from time to time by the Landlord to the Tenant.
"Lease"	a lease of Units 545 Winnersh Triangle, Wokingham, Berkshire dated 13th December 1996 and made between Slough Properties Limited (1) Azur Environmental Limited (2), and all documents supplemental or collateral to that lease.
"Property"	Units 545 Winnersh Triangle, Wokingham, Berkshire as more particularly described in and demised by the Lease.

1.2 Clause headings do not affect the interpretation of this deed.

1.3 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) [and that person's personal representatives, successors or permitted assigns].

1.4 Unless the context otherwise requires, words in the singular shall include the plural and in the plural include the singular.

1.5 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.6 A reference to any party shall include that party's personal representatives, successors or permitted assigns.

1.7 A reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.

1.8 A reference to a statute or statutory provision shall include any subordinate legislation made from time to time under that statute or statutory provision.

1.9 A reference to "writing" or "written" includes faxes but not e-mail.

1.10 A reference to a document is a reference to that document as varied or novated (in each case, other than in breach of the provisions of this agreement) at any time.

1.11 References to clauses are to the clauses of this deed.

1.12 Any phrase introduced by the terms **including**, **include**, **in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

1.13 References to the "Landlord" include a reference to the person entitled for the time being to the immediate reversion to the Lease.

1.14 The expressions "landlord covenant" and "tenant covenant" each have the meanings given to them by the Landlord and Tenant (Covenants) Act 1995.

2. SURRENDER

2.1 In consideration of the releases by the Landlord pursuant to clause 3 and clause 4 the Tenant surrenders and yields up to the Landlord, with full title guarantee, all its estate, interest and rights in the Property and the Landlord accepts the surrender.

2.2 The Tenant shall not be liable under any of the covenants set out in section 3 or section 4 of the Law of Property (Miscellaneous Provisions) Act 1994 for the consequences of any breach of the terms of the Lease concerning the condition of the Property.

2.3 The residue of the term of years granted by the Lease shall merge and be extinguished in the reversion immediately expectant on the termination of the Lease.

3. RELEASE OF THE TENANT

The Landlord releases the Tenant and its predecessors in title from all the tenant covenants of the Lease but without prejudice to any liability that has accrued before completion of the Surrender or which remains pursuant to the Agreement for Surrender.

4. RELEASE OF THE TENANT'S GUARANTOR

The Landlord releases the Tenant's Guarantor from the covenants, indemnities and other obligations arising under or in respect of the Lease but without prejudice to any liability under that guarantee or those obligations (if any) that has accrued before completion of the Surrender or which remains pursuant to the Agreement for Surrender.

5. RELEASE OF THE LANDLORD

The Tenant releases the Landlord and its predecessors in title to the immediate reversion to the Lease from all the landlord covenants of the Lease without prejudice to any liability that has accrued before completion of the Surrender or which remains pursuant to clause 5.5 of the Agreement for Surrender.

6. LIABILITY

If the Landlord or the Tenant is more than one person, then in each case those persons shall be jointly and severally liable for their respective obligations arising by virtue of this deed. The Landlord may release or compromise the liability of any one of those persons or grant any time or concession to any one of them without affecting the liability of any other of them.

7. THIRD PARTY RIGHTS

A person who is not a party to this deed shall not have any rights under or in connection with it.

SIGNED as a deed by **SEGRO (WINNERSH) LIMITED** acting by a director and its secretary or two directors

Director

Director / Secretary

SIGNED as a deed by **EMERGENT PRODUCT DEVELOPMENT UK LIMITED** acting by a director and its secretary or two directors

Director /s/Stephen Lockhart

Director / Secretary /s/Emma Wheatley

EXHIBIT 10.9

DATED **17 May 2011**

SEGRO (WINNERSH) LIMITED (1)

EMERGENT PRODUCT DEVELOPMENT UK LIMITED (2)

EMERGENT BIOSOLUTIONS INCORPORATED (3)

DEED OF SURRENDER

relating to

Units 530/535 Winnersh Triangle, Wokingham, Berkshire

Manches LLP

9400 Garsington Road

Oxford Business Park

OXFORD OX4 2HN

Tel +44 (0)1865 722 106

Fax +44 (0)1865 201 012

DX 155710 Oxford 13

www.manches.com

Ref: SPS/ELV/180251/264906

INDEX

DATE **17 May 2011**

HM Land Registry

Landlord's title number: BK 165703

Administrative area: WOKINGHAM

Tenant's title number: BK 415328

Administrative area: WOKINGHAM

PARTIES

(1) SEGRO (WINNERSH) LIMITED (registered number 05472073) whose registered office is at Cunard House 15 Regent Street London SW1Y 4LR ("Landlord");

(2) **EMERGENT PRODUCT DEVELOPMENT UK LIMITED** (registered number 03270465) whose registered office is at 545 Eskdale Road Winnersh Wokingham Berkshire RG41 5TU ("Tenant");

(3) **EMERGENT BIOSOLUTIONS INCORPORATED** (incorporated and registered in England and Wales under company number 373-6090) the registered office of which is at Corporation Service Company, 2711 Centerville Road, Suite 400, Wilminghton DE 19808, USA ("Tenant's Guarantor").

BACKGROUND

(A) This deed is supplemental to the Lease.

(B) The Landlord is entitled to the immediate reversion to the Lease.

(C) The residue of the term granted by the Lease is vested in the Tenant.

(D) The Tenant's Guarantor has entered into the Lease to give a guarantee in respect of the tenant covenants of the Lease.

(E) The Landlord and the Tenant have agreed to enter into this deed.

AGREED TERMS

1. INTERPRETATION

1.1. The definitions and rules of interpretation set out in this clause 1 apply in this deed.

"545 Lease"	means a lease of Unit 545 dated 13th December 1996 and made between Slough Properties Limited (1) Azur Environmental Limited (2).
"Agreement for Surrender"	means an agreement for the surrender of the Lease dated 17th day of May 2011 and made between the Landlord (1) the Tenant (2).
"HMLR"	HM Land Registry.
"Landlord's Conveyancer"	Eversheds LLP of 1 Callaghan Square, Cardiff CF10 5BT (Ref: Kate Anderton) or any other conveyancer whose details may be notified in writing from time to time by the Landlord to the Tenant.
"Lease"	a lease of Units 530/535 Winnersh Triangle, Wokingham, Berkshire dated 10th May 2007 and made between Slough Estates (Winnersh) Limited (1) Emergent Product Development UK Limited (2) Emergent BioSolutions Incorporated (3), and all documents supplemental or collateral to that lease.
"Property"	Units 530/535 Winnersh Triangle, Wokingham, Berkshire as more particularly described in and demised by the Lease.
"Unit 545"	means Winnersh 545, Winnersh Triangle, Wokingham, Berkshire more particularly described in and demised by the 545 Lease.
"VAT"	value added tax chargeable under the Value Added Tax Act 1994 and any similar replacement tax and any similar additional tax.

1.2. Clause headings do not affect the interpretation of this deed.

1.3. A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) [and that person's personal representatives, successors or permitted assigns].

1.4. Unless the context otherwise requires, words in the singular shall include the plural and in the plural include the singular.

1.5. Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.6. A reference to any party shall include that party's personal representatives, successors or permitted assigns.

1.7. A reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.

1.8. A reference to a statute or statutory provision shall include any subordinate legislation made from time to time under that statute or statutory provision.

1.9. A reference to "writing" or "written" includes faxes but not e-mail.

1.10. A reference to a document is a reference to that document as varied or novated (in each case, other than in breach of the provisions of this agreement) at any time.

1.11. References to clauses are to the clauses of this deed.

1.12. Any phrase introduced by the terms **including, include, in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

1.13. References to the "Landlord" include a reference to the person entitled for the time being to the immediate reversion to the Lease.

1.14. The expressions "landlord covenant" and "tenant covenant" each have the meanings given to them by the Landlord and Tenant (Covenants) Act 1995.

2. SURRENDER

2.1. In consideration of:

2.1.1. one million three hundred and seventy-five thousand two hundred and ninety-eight pounds (£1,375,298.00) (excluding VAT) paid by the Tenant to the Landlord (of which the Landlord acknowledges receipt) and;

2.1.2. the releases by the Landlord pursuant to clause 4 and clause 5;

the Tenant surrenders and yields up to the Landlord, with full title guarantee, all its estate, interest and rights in the Property and the Landlord accepts the surrender.

2.2. The Tenant shall not be liable under any of the covenants set out in section 3 or section 4 of the Law of Property (Miscellaneous Provisions) Act 1994 for the consequences of any breach of the terms of the Lease concerning the condition of the Property.

2.3. The residue of the term of years granted by the Lease shall merge and be extinguished in the reversion immediately expectant on the termination of the Lease.

3. VALUE ADDED TAX

On the date of this deed, the Tenant shall pay the Landlord any VAT properly chargeable on the consideration stated in clause 2.1.1.

4. RELEASE OF THE TENANT

The Landlord releases the Tenant and its predecessors in title from all the tenant covenants of the Lease but without prejudice to any liability that has accrued before completion of the Surrender or which remains pursuant to the Agreement for Surrender.

5. RELEASE OF THE TENANT'S GUARANTOR

The Landlord releases the Tenant's Guarantor from the covenants, indemnities and other obligations arising under or in respect of the Lease but without prejudice to any liability under that guarantee or those obligations (if any) that has accrued before completion of the Surrender or which remains pursuant to the Agreement for Surrender.

6. RELEASE OF THE LANDLORD

The Tenant releases the Landlord and its predecessors in title to the immediate reversion to the Lease from all the landlord covenants of the Lease without prejudice to any liability that has accrued before completion of the Surrender or which remains pursuant to clause 5.5 of the Agreement for Surrender.

7. PAYMENTS

On the date of this deed, the Tenant shall pay the Landlord the sum of two hundred and thirty thousand pounds (£230,000.00) (inclusive of VAT) by way of liquidated damages, as compensation for the breach by the Tenant of its covenants in the Lease relating to the state and condition of the Property and as compensation for the breach by the Tenant of its covenants in the 545 Lease relating to the state and condition of Unit 545.

8. LIABILITY

If the Landlord or the Tenant is more than one person, then in each case those persons shall be jointly and severally liable for their respective obligations arising by virtue of this deed. The Landlord may release or compromise the liability of any one of those persons or grant any time or concession to any one of them without affecting the liability of any other of them.

9. THIRD PARTY RIGHTS

A person who is not a party to this deed shall not have any rights under or in connection with it.

SIGNED as a deed by **SEGRO (WINNERSH) LIMITED** acting by a director and its secretary or two directors

Director

Director / Secretary

SIGNED as a deed by **EMERGENT PRODUCT DEVELOPMENT UK LIMITED** acting by a director and its secretary or two directors

Director /s/Stephen Lockhart

Director / Secretary /s/Emma Wheatley

SIGNED as a deed on behalf of **EMERGENT BIOSOLUTIONS INC.,** a company incorporated in the State of Delaware, by R. Don Elsey, being the person who, in accordance with the laws of that territory is acting under the authority of the company

Authorized Signatory:

/s/R. Don Elsey

R. Don Elsey,
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Fuad El-Hibri certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Emergent BioSolutions Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2011

/s/Fuad El-Hibri
Fuad El-Hibri
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, R. Don Elsey certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Emergent BioSolutions Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:August 5, 2011

/s/R. Don Elsey
R. Don Elsey
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Emergent BioSolutions Inc. (the "Company") for the six months ended June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Fuad El-Hibri, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2011

/s/Fuad El-Hibri
Fuad El-Hibri
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Emergent BioSolutions Inc. (the "Company") for the three months ended June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, R. Don Elsey, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2011

/s/R. Don Elsey
R. Don Elsey
Chief Financial Officer