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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

Or

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

For the transition period from to

Commission File Number: 000-50768

ACADIA PHARMACEUTICALS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**06-1376651**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
3611 Valley Centre Drive, Suite 300 San Diego, California	**92130**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code:

(858) 558-2871

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

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	**The Nasdaq Global Select Market**

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

As of June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $1.2 billion, based on the closing price of the registrant's common stock on the Nasdaq Global Select Market on June 29, 2018 of $15.27 per share.

As of January 31, 2019, 143,882,381 shares of the registrant's common stock, $0.0001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission by April 30, 2019 are incorporated by reference into Part III of this report.

ACADIA PHARMACEUTICALS INC.

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PART I

FORWARD-LOOKING STATEMENTS

This report and the information incorporated herein by reference contain forward-looking statements that involve a number of risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Although our forward-looking statements reflect the good faith judgment of our management, these statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties, and actual results and outcomes may differ materially from results and outcomes discussed in the forward-looking statements. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

Forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "hopes," "may," "will," "plans," "intends," "estimates," "could," "should," "would," "continue," "seeks," "aims," "projects," "predicts," "pro forma," "anticipates," "potential" or other similar words (including their use in the negative), or by discussions of future matters such as the benefits to be derived from NUPLAZID® (pimavanserin) and from our drug candidates, the potential market opportunities for pimavanserin and our drug candidates, our strategy for the commercialization of NUPLAZID, our plans for exploring and developing pimavanserin for indications other than Parkinson's disease psychosis, our plans and timing with respect to seeking regulatory approvals, the potential commercialization of any of our drug candidates that receive regulatory approval, the progress, timing, results or implications of clinical trials and other development activities involving NUPLAZID and our drug candidates, our strategy for discovering, developing and, if approved, commercializing drug candidates, our existing and potential future collaborations, our estimates of future payments, revenues and profitability, our estimates regarding our capital requirements, future expenses and need for additional financing, possible changes in legislation, and other statements that are not historical. These statements include but are not limited to statements under the captions "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as other sections in this report. You should be aware that the occurrence of any of the events discussed under the caption "Risk Factors" and elsewhere in this report could substantially harm our business, results of operations and financial condition and cause our results to differ materially from those expressed or implied by our forward-looking statements. If any of these events occurs, the trading price of our common stock could decline and you could lose all or a part of the value of your shares of our common stock.

The cautionary statements made in this report are intended to be applicable to all related forward-looking statements wherever they may appear in this report. We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

Item 1. *Business.*

Company Overview

We are a biopharmaceutical company focused on the development and commercialization of innovative medicines that address unmet medical needs in central nervous system, or CNS, disorders. We have a portfolio of product opportunities led by our novel drug, NUPLAZID (pimavanserin), which was approved by the U.S. Food and Drug Administration, or FDA, in April 2016 for the treatment of hallucinations and delusions associated with Parkinson's disease psychosis, or PD Psychosis, and is the only drug approved in the United States for this condition. NUPLAZID is a selective serotonin inverse agonist, or SSIA, preferentially targeting 5-HT_{2A} receptors. Through this novel mechanism, NUPLAZID demonstrated significant efficacy in reducing the hallucinations and delusions associated with PD Psychosis in our Phase 3 pivotal trial and has the potential to avoid many of the debilitating side effects of existing antipsychotics, none of which are approved by the FDA in the treatment of PD Psychosis. We hold worldwide commercialization rights to pimavanserin. We launched NUPLAZID in the United States in May 2016 with the recommended dosing of 34 mg once a day taken as two 17 mg tablets. In June 2018, the FDA approved a 34 mg NUPLAZID capsule formulation that provides patients with the recommended 34 mg once daily dose in a single, small capsule, reducing patient pill burden compared to the previous administration of two 17 mg tablets. In addition, the FDA approved a 10 mg NUPLAZID tablet for patients concomitantly receiving strong cytochrome 3A4 inhibitors, which can inhibit the metabolizing of NUPLAZID.

We believe that pimavanserin has the potential to address important unmet medical needs in neurological and psychiatric disorders in addition to PD Psychosis and we are continuing to study the use of pimavanserin in multiple disease states. For example, we believe dementia-related psychosis is one of our most important opportunities for further exploration. In December 2016, we

announced positive top-line results from our Phase 2 study exploring the utility of pimavanserin for the treatment of Alzheimer's disease psychosis, or AD Psychosis, a disorder for which no drug is currently approved by the FDA. Following our End-of-Phase 2 Meeting with the FDA and agreement with the agency on our clinical development plan, we initiated our Phase 3 HARMONY relapse prevention study in October 2017, which allows us to evaluate pimavanserin for a broader indication than AD Psychosis alone. More specifically, HARMONY will evaluate pimavanserin for the treatment of hallucinations and delusions associated with dementia-related psychosis, which includes psychosis in patients with Alzheimer's disease, dementia with Lewy bodies, Parkinson's disease dementia, vascular dementia, and frontotemporal dementia. Furthermore, in the fourth quarter of 2017, the FDA granted Breakthrough Therapy Designation to pimavanserin for dementia-related psychosis.

According to the National Institute of Mental Health, major depressive disorder, or MDD, affects approximately 16 million adults in the United States, with approximately 2.5 million adults treated with adjunctive therapy. The majority of people who suffer from MDD do not respond adequately to initial antidepressant therapy. In October 2018, we announced positive top-line results from CLARITY, a Phase 2 study evaluating pimavanserin for adjunctive treatment in 207 patients with MDD who had a confirmed inadequate response to existing first-line, SSRI or SNRI, antidepressant therapy. In the study, pimavanserin met the pre-specified primary and key secondary endpoints with statistical significance and positive results were also observed in seven additional secondary endpoints including response rate, improvement in sexual function, and a reduction in daytime sleepiness. Pimavanserin was generally well-tolerated in the study with no meaningful weight gain or impact on motor function observed. In February 2019, we conducted an End-of-Phase 2 Meeting with the FDA and we plan to initiate a Phase 3 program for pimavanserin as an adjunctive treatment for MDD in the first half of 2019.

We also believe schizophrenia is a disease with multiple unmet or ill-served needs and we are currently exploring the utility of pimavanserin in this area. Despite a large number of FDA-approved therapies for schizophrenia, current drugs do not adequately address certain important symptoms of schizophrenia, such as inadequate response to current antipsychotic treatment of psychotic symptoms and negative symptoms. In the fourth quarter of 2016, we initiated two studies evaluating the adjunctive use of pimavanserin in patients with schizophrenia. ENHANCE is a Phase 3 study evaluating pimavanserin for adjunctive treatment of schizophrenia in patients with an inadequate response to their current antipsychotic therapy. We expect to report top-line results of the ENHANCE study mid-2019. ADVANCE is a Phase 2 study evaluating pimavanserin for adjunctive treatment in patients with negative symptoms of schizophrenia.

In August 2018, we acquired an exclusive North American license to develop and commercialize trofinetide for Rett syndrome and other indications from Neuren Pharmaceuticals Limited, or Neuren. Rett syndrome is a debilitating neurological disorder that occurs predominantly in females following apparently normal development for the first six months of life. Typically, at between six to eighteen months of age, patients experience a period of rapid decline with loss of purposeful hand use and spoken communication and inability to independently conduct activities of daily living. Symptoms also include seizures, disorganized breathing patterns, scoliosis and sleep disturbances. Trofinetide is a novel synthetic analog of the amino-terminal tripeptide of IGF-1 designed to treat the core symptoms of Rett syndrome by reducing neuroinflammation and supporting synaptic function. Trofinetide has been granted FDA Fast Track Status and Orphan Drug Designation in the U.S. and Europe for the treatment of Rett syndrome. Currently, there are no approved medicines for the treatment of Rett syndrome. We plan to initiate a Phase 3 randomized, double-blind placebo-controlled study evaluating trofinetide in girls with Rett syndrome in the second half of 2019.

We were originally incorporated in Vermont in 1993 as Receptor Technologies, Inc. We reincorporated in Delaware in 1997 and our headquarters are in San Diego, California. We maintain a website at *www.acadia-pharm.com*, to which we regularly post copies of our press releases as well as additional information about us. Our filings with the Securities and Exchange Commission, or SEC, are available free of charge through our website as soon as reasonably practicable after being electronically filed with or furnished to the SEC. Interested persons can subscribe on our website to email alerts that are sent automatically when we issue press releases, file our reports with the SEC or post certain other information to our website. Information contained in our website does not constitute a part of this report or our other filings with the SEC.

Our Strategy

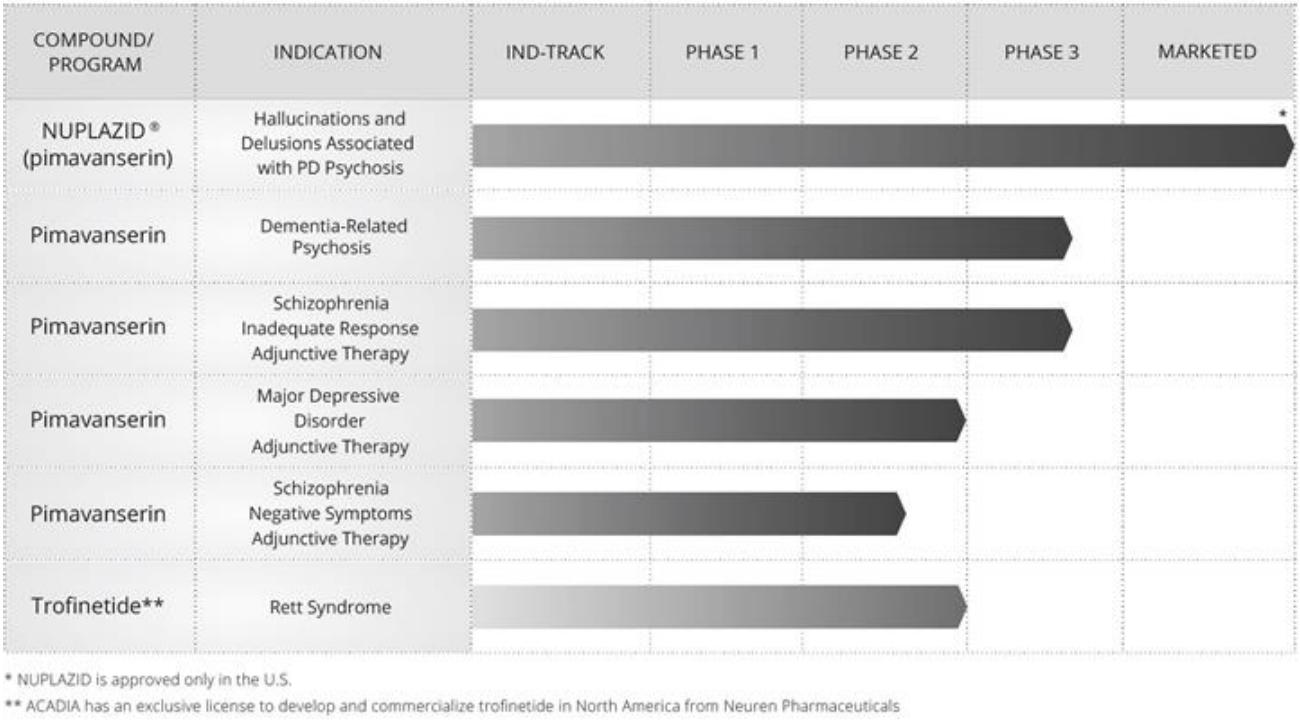
Our strategy is to identify, develop and commercialize innovative drugs that address unmet medical needs in CNS disorders. We have assembled a management team with significant industry experience to lead the discovery, development, and commercialization of our product opportunities. We complement our management team with scientific and clinical advisors, including recognized experts

in the fields of PD Psychosis, Alzheimer's disease, schizophrenia, depression, Rett syndrome and other CNS disorders. Key elements of our strategy are to:

- ***Successfully commercialize NUPLAZID for PD Psychosis in the United States.*** NUPLAZID was approved by the FDA in April 2016 for the treatment of hallucinations and delusions associated with PD Psychosis, and is the only drug approved in the United States for this condition. We launched NUPLAZID in the United States in May 2016 and an important objective is to establish NUPLAZID as the first choice, best choice for PD Psychosis. We employ approximately 150 U.S. sales specialists who are focused on promoting NUPLAZID to physicians who treat PD Psychosis patients, including neurologists, psychiatrists and long-term care physicians.
- ***Leverage the commercial potential of pimavanserin by expanding to additional neurological and psychiatric disorders.*** We intend to continue pursuing the development and commercialization of pimavanserin in additional neurological and psychiatric indications that are underserved by currently available antipsychotics and antidepressants and represent large unmet medical needs. For example, our Phase 3 HARMONY relapse prevention study will evaluate pimavanserin for the treatment of hallucinations and delusions associated with dementia-related psychosis, which includes psychosis in patients with Alzheimer's disease, dementia with Lewy bodies, Parkinson's disease dementia, vascular dementia and frontotemporal dementia. Also, in October 2018 we announced positive top-line results from CLARITY, a Phase 2 study evaluating pimavanserin as an adjunctive treatment for MDD, and we plan to initiate a Phase 3 program in this patient population in the first half of 2019. We are also testing pimavanserin as an adjunctive therapy in schizophrenia inadequate response and schizophrenia for negative symptoms. In addition to the ongoing development of pimavanserin in these areas, we may also consider additional indications that are a good strategic fit and which have large unmet medical needs.
- ***In-license or acquire complementary products or product candidates.*** Although NUPLAZID (pimavanserin) resulted from internal discoveries, in order to successfully grow our business we plan to in-license or acquire assets, which could include clinical-stage product candidates or commercial-stage products, to leverage our U.S. specialty sales force. For example, in August 2018, we acquired an exclusive North American license to develop and commercialize trofinetide for Rett syndrome and other indications from Neuren Pharmaceuticals.

Our Pipeline

NUPLAZID (pimavanserin) was approved by the FDA in April 2016 for the treatment of hallucinations and delusions associated with PD Psychosis. In addition to PD Psychosis, our pipeline includes multiple product opportunities being explored in clinical development across several CNS disorders with high unmet medical needs. We believe that our product opportunities offer innovative therapeutic approaches and may provide significant advantages relative to current therapies. The following table summarizes our product opportunities and programs:



* NUPLAZID is approved only in the U.S.

** ACADIA has an exclusive license to develop and commercialize trofinetide in North America from Neuren Pharmaceuticals

NUPLAZID (Pimavanserin)

Pimavanserin is a new chemical entity that we discovered and that was approved by the FDA in April 2016 for the treatment of hallucinations and delusions associated with PD Psychosis and is the only drug approved in the United States for this condition and is called NUPLAZID commercially. NUPLAZID is an SSIA preferentially targeting the 5-HT_{2A} receptor, a key serotonin receptor that plays an important role in psychosis. Through this novel mechanism, NUPLAZID demonstrated significant efficacy in reducing the hallucinations and delusions associated with PD Psychosis in our Phase 3 pivotal trial and has the potential to avoid many of the debilitating side effects of existing antipsychotics, none of which are approved by the FDA in the treatment of PD Psychosis. We hold worldwide commercialization rights to NUPLAZID for all indications and have established a broad patent portfolio, which includes numerous issued patents in the United States, Europe, and several additional countries. We launched NUPLAZID in the United States in May 2016 with the recommended dosing of 34 mg once a day taken as two 17 mg tablets. In June 2018, the FDA approved a 34 mg NUPLAZID capsule formulation that provides patients with the recommended 34 mg once daily dose in a single, small capsule, reducing patient pill burden versus the previous administration of two 17 mg tablets. In addition, the FDA approved a 10 mg NUPLAZID tablet that provides an optimized lower dosage strength in those patients who are concomitantly receiving strong cytochrome 3A4 inhibitors which can inhibit the metabolism of NUPLAZID. The recommended dosing of NUPLAZID is 34 mg once a day taken as one 34 mg capsule.

NUPLAZID as a Treatment for PD Psychosis

Parkinson’s disease is the second most common neurodegenerative disorder after Alzheimer’s disease. According to the Parkinson’s Disease Foundation, about one million people in the United States and more than 10 million people globally suffer from this disease. Approximately 50 percent of Parkinson’s patients will experience psychosis over the course of their disease. Parkinson’s disease is more common in people over 60 years of age and the prevalence of this disease is expected to increase significantly as the population ages.

PD Psychosis is a debilitating disorder commonly characterized by visual hallucinations and delusions that afflicts about 40 percent of the one million Parkinson's disease patients in the United States. The development of psychosis in patients with Parkinson's disease substantially contributes to the burden of Parkinson's disease and deeply affects their quality of life. PD Psychosis is associated with a diminished quality of life, nursing home placement, and increased caregiver stress and burden.

As the first and only drug approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis, NUPLAZID provides an innovative and non-dopaminergic approach to the treatment of PD Psychosis without compromising motor control and potentially avoiding many of the debilitating side effects of existing antipsychotics.

In connection with the FDA approval of NUPLAZID, we have committed to conduct post-marketing studies, including a randomized, placebo-controlled withdrawal study in PD Psychosis patients treated with NUPLAZID and randomized, placebo-controlled eight-week studies in predominantly frail and elderly patients that would add to the NUPLAZID safety database by exposing an aggregate of at least 500 patients to NUPLAZID. Through our open-label safety extension study for our Phase 3 studies in PD Psychosis, together with a similar extension study from our earlier Phase 2 PD Psychosis trial, we generated a considerable amount of long-term safety data on NUPLAZID. A total of over 275 patients have been treated with NUPLAZID for at least one year and, of those, at least 170 patients have been treated for at least two years. Our longest single-patient exposure is greater than 11 years. We believe that our experience to date suggests that long-term administration of NUPLAZID is generally safe and well tolerated in this elderly and fragile patient population.

Pimavanserin as a Treatment for Dementia-Related Psychosis

Around 8 million people in the United States are living with dementia and approximately half are diagnosed with the disease. While the primary symptoms of dementia involve cognitive decline, patients with dementia frequently have behavioral symptoms as well. In addition to agitation and aggressive symptoms, they commonly have psychotic symptoms. Studies suggest that approximately 30 percent of patients with dementia have psychosis, commonly consisting of hallucinations and delusions. Patients with dementia-related psychosis share many characteristics and often exhibit similar psychiatric symptoms irrespective of their underlying neurodegenerative disease.

According to the American Psychiatric Association (APA) guidelines "an overwhelming majority" of older adults with dementia will develop psychosis or agitation during the course of their illness. Symptoms are often persistent and occur with increasing frequency as cognition becomes more impaired. Serious consequences have been associated with persistent or severe psychosis in persons with dementia such as repeated hospital admissions, earlier progression to nursing home care, severe dementia, and death. There is currently no approved treatment for dementia-related psychosis. Off-label use of atypical antipsychotics is associated with modest and often equivocal efficacy in these patients. More importantly, use of currently available antipsychotics is associated with a significant acceleration in cognitive decline in patients with dementia as well as numerous off-target toxicities, thus negatively impacting their primary illness. The cognitive effects of treatment with an atypical antipsychotic were evaluated in the National Institute of Mental Health Clinical Antipsychotic Trials of Intervention Effectiveness–Alzheimer's Disease (CATIE-AD) study. In this study, patients on any atypical antipsychotic had significantly greater rates of decline in cognitive function compared to patients on placebo. This pronounced negative impact of currently used antipsychotics on cognitive function is believed to be associated with the common pharmacologic property of these drugs, namely blocking of dopamine receptors. Moreover, anticholinergic activity, which is also present in atypical antipsychotics, is well-known to be associated with cognitive dulling. The lack of selectivity of atypical antipsychotics with respect to receptor activity also results in a number of dose-limiting side effects, such as extrapyramidal symptoms, orthostatic hypotension, hematologic abnormalities, and metabolic, gastrointestinal and sedative effects. These off-target toxicities result in increased risk for falls, infection, aspiration pneumonia, and other serious complications in this vulnerable patient population. With no approved therapies for the treatment of patients with dementia-related psychosis and current off-label use of atypical antipsychotics carrying significant morbidity risks including worsening in cognitive decline and other off target toxicities, we believe that dementia-related psychosis represents an area of high unmet need.

In October 2017, we initiated our HARMONY relapse prevention study, a Phase 3, randomized, double-blind, placebo-controlled study, evaluating the efficacy and safety of pimavanserin for the treatment of hallucinations and delusions associated with dementia-related psychosis. The objective of the study is to evaluate the ability of pimavanserin to prevent relapse of psychotic symptoms in a broad population of patients with the most common subtypes of dementia: Alzheimer's disease, dementia with Lewy bodies, Parkinson's disease dementia, vascular dementia and frontotemporal dementia. Furthermore, in the fourth quarter of 2017, the FDA granted Breakthrough Therapy Designation to pimavanserin for dementia-related psychosis.

The HARMONY study includes a 12-week open-label stabilization period during which patients with dementia-related psychosis will be treated with pimavanserin 34 mg once daily. Dose reduction to 20 mg once daily will be allowed if clinically justified. Following the 12-week stabilization period, patients who meet pre-specified criteria for treatment response will then be randomized into the double-blind period of the study to continue their pimavanserin dose (34 mg or 20 mg per day) or be switched to

placebo and followed for up to 26 weeks or until a relapse of psychosis occurs. The primary endpoint in the study is time to relapse in the double-blind period. The study will be conducted globally and is expected to enroll approximately 360 patients.

This Phase 3 development plan is supported by data from two completed clinical studies. In December 2016 we announced positive top-line results from our Phase 2 study, referred to as the -019 Study, examining the safety and efficacy of pimavanserin as a treatment for patients with AD Psychosis, which is a subset of the dementia-related psychosis population. The -019 Study was a double-blind, placebo-controlled exploratory trial designed to evaluate the efficacy and safety of pimavanserin as a treatment for patients with AD Psychosis. A total of 181 patients were enrolled in the study in the United Kingdom. Following a screening period that included brief psycho-social therapy, patients were randomized on a one-to-one basis to receive either 34 mg of pimavanserin or placebo once-daily. The primary endpoint of the study was antipsychotic efficacy as measured by the mean change in the Neuropsychiatric Inventory—Nursing Home, or NPI-NH, Psychosis score (combined hallucinations and delusions domains) from baseline to week six of dosing. The study also assessed additional secondary endpoints, including the cognitive status of patients and the durability of response to pimavanserin, through week 12 of dosing.

Pimavanserin demonstrated efficacy on the primary endpoint of the -019 Study with a 3.76 point improvement in psychosis at week six compared to a 1.93 point improvement for placebo, representing a statistically significant treatment improvement in the NPI-NH Psychosis score (p=0.0451). Baseline mean scores for the pimavanserin and placebo treated groups were 9.52 and 10.00, respectively. Pimavanserin was generally well tolerated and the safety profile was consistent with what has been observed in previous studies. Based on a preliminary analysis of safety data, the most common adverse events reported were falls, urinary tract infection and agitation. The mortality rate was the same in the pimavanserin and placebo treatment groups. Over the course of 12 weeks of treatment, pimavanserin did not impair cognition as measured by the Mini-Mental State Examination, or MMSE, score and was similar to placebo. On the secondary endpoint of mean change in NPI-NH Psychosis score at week 12, pimavanserin maintained the improvement in psychosis observed at the week six primary endpoint, but did not statistically separate from placebo. The mean age of patients in the study was 86 years. Because it has been shown that common symptoms of psychosis in different dementia subtypes need not be etiologically related to respond to pharmacologic treatment, we believe that the results of the -019 Study in patients with AD Psychosis and observations of demented patients in our -020 Study in patients with PD Psychosis, as described below, indicate that pimavanserin may be an effective treatment for the other subgroups of dementia-related psychosis. Results from this Phase 2 study in AD psychosis were presented at the 10th Clinical Trials on Alzheimer's Disease (CTAD) Meeting on November 3, 2017 in Boston.

Additional clinical evidence for efficacy of pimavanserin in dementia-related psychosis was observed in our Phase 3 -020 Study in patients with Parkinson's disease psychosis. Approximately a quarter of the patients enrolled in the -020 Study also suffered from mild dementia. In this pre-specified subgroup, for the primary efficacy analysis those treated with pimavanserin observed a significant improvement in psychosis compared to placebo with a treatment difference of 5.71 points (*p=0.0018*). This effect was larger than the overall average effect observed in the study.

Pimavanserin as an Adjunctive Treatment for Major Depressive Disorder

Major depressive disorder is a condition characterized by depressive symptoms, such as a depressed mood or a loss of interest or pleasure in daily activities for more than two weeks, as well as impaired social, occupational or other important functioning. Studies have shown that the majority of people who suffer from MDD do not respond to initial antidepressant therapy. Also, due to side effects of current therapies, many patients discontinue their medication, significantly increasing their chance of relapse. According to the NIMH, MDD affects approximately 16 million adults in the United States and is the leading cause of disability for ages 15-44.

Preclinical and clinical evidence suggests that the blockade of 5-HT_{2A} receptors improves the clinical effects of selective serotonin reuptake inhibitors, or SSRIs. As an SSIA preferentially targeting 5-HT_{2A} receptors, we believe use of pimavanserin as an adjunctive treatment for MDD may improve outcomes for patients with MDD.

In October 2018, we announced positive top-line results from CLARITY, a Phase 2 study evaluating pimavanserin for adjunctive treatment in 207 patients with MDD who had a confirmed inadequate response to existing first-line, SSRI or SNRI, antidepressant therapy. In the study, pimavanserin met the pre-specified primary and key secondary endpoints with statistical significance and positive results were also observed in seven additional secondary endpoints including response rate, improvement in sexual function, and a reduction in daytime sleepiness. Pimavanserin was generally well-tolerated in the study with no meaningful weight gain or impact on motor function observed. In February 2019, we conducted an End-of-Phase 2 Meeting with the FDA and we plan to initiate a Phase 3 program for pimavanserin as an adjunctive treatment for MDD in the first half of 2019.

Pimavanserin as an Adjunctive Treatment for Schizophrenia

Schizophrenia is a severe chronic mental illness that involves disturbances in cognition, perception, emotion, and other aspects of behavior. These disturbances may include positive symptoms, such as hallucinations and delusions, and a range of negative symptoms, including loss of interest and emotional withdrawal. Schizophrenia is associated with persistent impairment of a patient's social functioning and productivity. Cognitive disturbances often prevent patients with schizophrenia from readjusting to society. As a result, patients with schizophrenia are normally required to be under medical care for their entire lives. According to the National Institute of Mental Health, or NIMH, approximately one percent of the U.S. population suffers from schizophrenia.

Most patients with schizophrenia in the United States today are treated with second-generation, or atypical, antipsychotics, which induce fewer motor disturbances than typical, or first-generation, antipsychotics, but still fail to address most of the negative symptoms of schizophrenia. In addition, currently prescribed treatments do not effectively address or may exacerbate cognitive disturbances associated with schizophrenia. It is believed that the efficacy of atypical antipsychotics is due to their interactions with dopamine and 5-HT_{2A} receptors. Despite their commercial success, current antipsychotic drugs have substantial limitations, including inadequate efficacy and severe side effects. The side effects induced by the atypical agents may include weight gain, non-insulin dependent (type 2) diabetes, cardiovascular side effects, sleep disturbances, and motor disturbances. We believe that these side effects generally arise either from non-essential receptor interactions or from excessive dopamine blockade.

The limitations of currently available antipsychotics result in poor patient compliance. A study conducted by the NIMH, which was published in *The New England Journal of Medicine* in September 2005, found that 74 percent of patients taking typical or atypical antipsychotics discontinued treatment within 18 months because of side effects or lack of efficacy. We believe there is a large unmet medical need for new therapies that have improved side effect and efficacy profiles.

As an SSIA, pimavanserin is a new class of antipsychotic medication with a distinct mechanism of action targeting serotonergic 5-HT_{2A} receptors while avoiding activity at dopamine and other receptors commonly targeted by other antipsychotics which, we believe, may enable pimavanserin to be used in certain treatment approaches to improve the therapy for patients with schizophrenia. We initiated the following studies during the fourth quarter of 2016 to evaluate pimavanserin for adjunctive treatment of schizophrenia in patients with an inadequate response to current antipsychotic therapy and for adjunctive treatment in patients with negative symptoms of schizophrenia:

ENHANCE

In November 2016, we announced that we initiated ENHANCE, a Phase 3 study to evaluate pimavanserin for adjunctive treatment of schizophrenia in patients with an inadequate response to current antipsychotic therapy. According to the American Psychiatric Association, about 30 percent of patients with schizophrenia have inadequate response to antipsychotic medications, meaning that they exhibit improvement, but continue to have residual hallucinations or delusions. As a result, about 25 to 50 percent of schizophrenia patients are treated with two or more antipsychotics. This polypharmacy has led to increased dose-related side effects and complicated dosing regimens that can further contribute to poor treatment compliance and subsequent relapse in these patients. We believe pimavanserin, through its highly selective mechanism of action, could provide an important new option for adjunctive treatment of schizophrenia and improve clinical outcomes by both augmenting the efficacy of currently used antipsychotics and lessening the undesirable side effects associated with polypharmacy.

ENHANCE is a Phase 3, six-week, randomized, double-blind, placebo-controlled, multi-center, outpatient study designed to examine the efficacy and safety of adjunctive use of pimavanserin in patients with schizophrenia who have not achieved an adequate response to their current antipsychotic treatment. Approximately 380 patients will be randomized to receive pimavanserin or placebo, orally, once daily, in addition to their ongoing antipsychotic in a flexible dosing regimen. The starting daily dose of 20 mg of pimavanserin at baseline may be adjusted to 34 mg or 10 mg during the first three weeks of treatment. The primary endpoint of the study is the change from baseline to week six on the Positive and Negative Syndrome Scale, or PANSS, total score. Following participation in ENHANCE, patients will be eligible to enroll in a 52-week open-label extension study. We expect to report top-line results of the ENHANCE study mid-2019.

ADVANCE

In November 2016, we announced that we initiated ADVANCE, a Phase 2 study to evaluate pimavanserin for adjunctive treatment in patients with negative symptoms of schizophrenia. Studies show that about 40 to 50 percent of schizophrenia patients suffer from prominent negative symptoms. While currently available antipsychotic treatments for schizophrenia target positive symptoms, most patients remain functionally impaired because of negative symptoms, cognitive deficits and limited social function. There is currently no drug approved by the FDA for the treatment of the negative symptoms of schizophrenia.

ADVANCE is a Phase 2, 26-week, randomized, double-blind, placebo-controlled, multi-center study designed to examine the efficacy and safety of adjunctive use of pimavanserin in patients with schizophrenia who have predominant negative symptoms. Approximately 380 patients will be randomized to receive either pimavanserin or placebo, orally, once daily, in addition to their ongoing antipsychotic in a flexible dosing regimen. The starting daily dose of 20 mg of pimavanserin at baseline may be adjusted to 34 mg or 10 mg during the first eight weeks of treatment. The primary endpoint of the study is the change from baseline to week 26 on the Negative Symptom Assessment-16, or NSA-16, total score. Following participation in ADVANCE, patients will be eligible to enroll in a 52-week open-label extension study.

Trofinetide

Trofinetide is a novel synthetic analog of the amino-terminal tripeptide of IGF-1 designed to treat the core symptoms of Rett syndrome by reducing neuroinflammation and supporting synaptic function. In the central nervous system, IGF-1 is produced by both of the major types of brain cells – neurons and glia. IGF-1 in the brain is critical for both normal development and for response to injury and disease. Trofinetide has been granted FDA Fast Track Status and Orphan Drug Designation in the U.S. and Orphan Designation in Europe.

Trofinetide as a Treatment for Rett Syndrome

Rett syndrome is a debilitating neurological disorder that occurs primarily in females following apparently normal development for the first six months of life. Rett syndrome has been most often misdiagnosed as autism, cerebral palsy, or non-specific developmental delay. Rett syndrome is caused by mutations on the X chromosome on a gene called MeCP2. There are more than 200 different mutations found on the MeCP2 gene that interfere with its ability to generate a normal gene product. Rett syndrome occurs worldwide in approximately one of every 10,000 to 15,000 female births causing problems in brain function that are responsible for cognitive, sensory, emotional, motor and autonomic function. Typically, between six to eighteen months of age, patients experience a period of rapid decline with loss of purposeful hand use and spoken communication and inability to independently conduct activities of daily living. Symptoms also include seizures, disorganized breathing patterns, an abnormal side-to-side curvature of the spine (scoliosis) and sleep disturbances. Currently, there are no approved medicines approved for the treatment of Rett syndrome. We plan to initiate a Phase 3 randomized, double-blind placebo-controlled study evaluating trofinetide in girls with Rett syndrome in the second half of 2019.

Competition

We face, and will continue to face, intense competition from pharmaceutical and biotechnology companies, as well as numerous academic and research institutions and governmental agencies, both in the United States and abroad. We compete, or will compete, with existing and new products being developed by our competitors. Some of these competitors are pursuing the development of pharmaceuticals that target the same diseases and conditions that our research and development programs target.

For example, the use of NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis competes with off-label use of antipsychotic drugs, including generic drugs quetiapine, clozapine, olanzapine, risperidone and aripiprazole.

If approved, pimavanserin for the treatment of dementia-related psychosis would compete with off-label use of antipsychotic drugs, including risperidone and quetiapine, and drugs indicated for the treatment of Alzheimer’s disease and dementia in patients with Alzheimer’s disease, including Aricept, marketed by Eisai Inc. and Pfizer Inc., and Namenda, marketed by Forest Laboratories, LLC, a wholly-owned subsidiary of Actavis plc.

Pimavanserin for the adjunctive treatment of schizophrenia, if approved for that indication, would compete with Rexulti, marketed by Otsuka Pharmaceutical Co., Ltd., Latuda, marketed by Sunovion Pharmaceuticals Inc., and generic drugs, including olanzapine, risperidone, aripiprazole and clozapine.

Pimavanserin for the adjunctive treatment of MDD, if approved for that indication, would compete with Rexulti and generic adjunctive atypical antipsychotics, including aripiprazole, quetiapine and risperidone.

There are currently no approved medications for the treatment of Rett syndrome. Trofinetide, if approved would compete with off label usage of generic prescription medications targeted at individual symptoms of Rett syndrome, including antipsychotics, antidepressants and benzodiazepines. There are multiple academic institutions and six other pharmaceutical companies conducting clinical trials for the treatment of various symptoms of Rett syndrome. Additionally AveXis/Novartis has a gene therapy program in Rett syndrome with a current projected FDA filing date of 2022.

In addition, the companies described above and other competitors may have a variety of drugs in development or awaiting FDA approval that could reach the market and become established before we have a product to sell for the applicable disorder. Our competitors may also develop alternative therapies that could further limit the market for any drugs that we may develop. Many of our competitors are using technologies or methods different or similar to ours to identify and validate drug targets and to discover novel small molecule drugs. Many of our competitors and their collaborators have significantly greater experience than we do in the following:

- identifying and validating targets;
- screening compounds against targets;
- preclinical studies and clinical trials of potential pharmaceutical products;
- obtaining FDA and other regulatory approvals; and
- commercializing pharmaceutical products.

In addition, many of our competitors and their collaborators have substantially greater advantages in the following areas:

- capital resources;
- research and development resources;
- manufacturing capabilities;
- sales and marketing; and
- production facilities.

Smaller companies also may prove to be significant competitors, particularly through proprietary research discoveries and collaborative arrangements with large pharmaceutical and established biotechnology companies. Many of our competitors have products that have been approved or are in advanced development and may develop superior technologies or methods to identify and validate drug targets and to discover novel small molecule drugs. We face competition from other companies, academic institutions, governmental agencies and other public and private research organizations for collaborative arrangements with pharmaceutical and biotechnology companies, in recruiting and retaining highly qualified scientific, sales and marketing, and management personnel and for licenses to additional technologies. Our competitors, either alone or with their collaborators, may succeed in developing technologies or drugs that are more effective, safer, and more affordable, or more easily administered than ours and may achieve patent protection or commercialize drugs sooner than us. Our competitors may also develop alternative therapies that could further limit the market for any drugs that we may develop. Our failure to compete effectively could have a material adverse effect on our business.

Intellectual Property

We currently hold 32 issued U.S. patents and a significant number of related issued foreign patents. All of these patents originated from inventions made by us. Patents and other proprietary intellectual property rights are an essential element of our business. Our strategy is to file patent applications in the United States and any other country that represents an important potential commercial market to us. In addition, we seek to protect our technology and inventions (and improvements to inventions) that are important to the development of our business. Our patent applications claim proprietary technology, including chemical synthetic or manufacturing methods, drug assays, novel compounds, compositions, formulations and methods of treatment. We also rely upon trade secrets, including technologies that may be used to discover and validate targets, to identify and develop novel drugs, as well as manufacturing or clinical development technologies, among others. We protect our trade secrets by, among other things, requiring employees and third parties who have access to our proprietary information to sign confidentiality and nondisclosure agreements. We are a party to various license agreements that give us rights to use certain technologies in our research and development.

Pimavanserin

To date, twenty-seven U.S. patents have been issued to us that relate to pimavanserin, NUPLAZID and methods of use. Twelve of these are Orange Book-listed patents that relate to pimavanserin, NUPLAZID and our approved indication, and cover the general formula of the compound, the composition of matter, with claims specifically directed to pimavanserin and salts thereof, the specific polymorph form of pimavanserin, and the use thereof for treating our approved indication. The composition of matter U.S. patent covering pimavanserin and salts thereof is currently set to expire in 2027. The patents covering the polymorph form and the use of pimavanserin or NUPLAZID for our approved indication are currently set to expire between 2022 and 2028. These patent terms include adjustments made by the U.S. Patent and Trademark Office (the “PTO”), but not patent term extensions.

We have filed patent term extension applications on three U.S. patents. The PTO has not completed its review of these applications. In the United States, we are permitted to extend the term of one U.S. patent for pimavanserin or the use thereof. Accordingly, on completion of the PTO's review of our patent term extension applications, we must select one of the three patents to which any patent term extension granted will attach. Patent terms may be subject to change not only due to potential patent term extensions but also to any terminal disclaimer that reduces patent term, as well as other factors. Because the U.S. patent laws and judicial interpretations thereof change, modifications or new interpretations of the laws may impact our patent terms.

The remaining 15 U.S. patents relating to pimavanserin that have been issued to us cover methods of use of pimavanserin for treating AD Psychosis, Alzheimer's disease indications, schizophrenia, bipolar disorder, Lewy body dementia, sleep disorders, hallucinations, delusions, other methods of treatment and methods of producing pimavanserin. We have a significant number of related issued foreign patents that specifically cover pimavanserin and polymorphs thereof in Europe and Asia as well as in Australia, Canada, Mexico and other countries. We continue to file and prosecute patent applications directed to pimavanserin, formulations of pimavanserin and to methods of treating various diseases using pimavanserin, either alone or in combination with other agents, worldwide.

We entered into a license agreement in 2006 for certain intellectual property rights from the Ipsen Group that complement the intellectual property portfolio for our serotonin platform, including pimavanserin. We are required to pay to the Ipsen Group royalties of up to two percent of net product sales of NUPLAZID pursuant to the agreement.

Collaboration Agreements

Historically, we have been a party to various collaboration agreements with Allergan and other parties to leverage our drug discovery platform and related assets, and to advance development and commercialization of selected product candidates. These collaborations have typically included upfront payments at initiation of the collaboration, research support during the research term, if applicable, milestone payments upon successful completion of specified development objectives and royalties based upon future sales, if any, of drugs developed under the collaboration.

Government Regulation

Our business activities, including the manufacturing and marketing of NUPLAZID and our potential products and our ongoing research and development activities, are subject to extensive regulation by numerous governmental authorities in the United States and other countries. Before marketing in the United States, any new drug developed by us must undergo rigorous preclinical testing, clinical trials and an extensive regulatory clearance process implemented by the FDA under the Federal Food, Drug, and Cosmetic Act, as amended. The FDA regulates, among other things, the development, testing, manufacture, safety, efficacy, record keeping, labeling, storage, approval, advertising, promotion, import, export, sale and distribution of biopharmaceutical products. The regulatory review and approval process, which includes preclinical testing and clinical trials of each product candidate, is lengthy, expensive and uncertain. Moreover, government coverage and reimbursement policies will both directly and indirectly impact our ability to successfully commercialize NUPLAZID and any future approved products, and such coverage and reimbursement policies will be impacted by enacted and any applicable future healthcare reform and drug pricing measures. In addition, we are subject to state and federal laws, including, among others, anti-kickback laws, false claims laws, data privacy and security laws, and transparency laws that restrict certain business practices in the pharmaceutical industry.

In the United States, drug product candidates intended for human use undergo laboratory and animal testing until adequate proof of safety is established. Clinical trials for new product candidates are then typically conducted in humans in three sequential phases that may overlap. Phase 1 trials involve the initial introduction of the product candidate into healthy human volunteers. The emphasis of Phase 1 trials is on testing for safety or adverse effects, dosage, tolerance, metabolism, distribution, excretion and clinical pharmacology. Phase 2 involves studies in a limited patient population to determine the initial efficacy of the compound for specific targeted indications, to determine dosage tolerance and optimal dosage, and to identify possible adverse side effects and safety risks. Once a compound shows initial evidence of effectiveness and is found to have an acceptable safety profile in Phase 2 evaluations, Phase 3 trials are undertaken to more fully evaluate clinical outcomes. Before commencing clinical investigations in humans, we or our collaborators must submit an Investigational New Drug Application, or IND, to the FDA.

Regulatory authorities, Institutional Review Boards and Data Monitoring Committees may require additional data before allowing the clinical studies to commence, continue or proceed from one phase to another, and could demand that the studies be discontinued or suspended at any time if there are significant safety issues. We have in the past and may in the future rely on some of our collaborators to file INDs and generally direct the regulatory approval process for our potential products. Clinical testing must also meet requirements for clinical trial registration, institutional review board oversight, informed consent, health information privacy, and good clinical practices, or GCPs. Additionally, the manufacture of our drug product must be done in accordance with current good manufacturing practices, or GMPs.

To establish a new product candidate's safety and efficacy, the FDA requires companies seeking approval to market a drug product to submit extensive preclinical and clinical data, along with other information, for each indication for which the product will be labeled. The data and information are submitted to the FDA in the form of a New Drug Application, or NDA, which must be accompanied by payment of a significant user fee unless a waiver or exemption applies. Generating the required data and information for an NDA takes many years and requires the expenditure of substantial resources. Information generated in this process is susceptible to varying interpretations that could delay, limit or prevent regulatory approval at any stage of the process. The failure to demonstrate adequately the quality, safety and efficacy of a product candidate under development would delay or prevent regulatory approval of the product candidate. Under applicable laws and FDA regulations, each NDA submitted for FDA approval is given an internal administrative review within 60 days following submission of the NDA. If deemed sufficiently complete to permit a substantive review, the FDA will "file" the NDA. The FDA can refuse to file any NDA that it deems incomplete or not properly reviewable. The FDA has established internal goals of eight months from submission for priority review of NDAs that cover product candidates that offer major advances in treatment or provide a treatment where no adequate therapy exists, and 12 months from submission for the standard review of NDAs. However, the FDA is not legally required to complete its review within these periods, these performance goals may change over time and the review is often extended by FDA requests for additional information or clarification. Moreover, the outcome of the review, even if generally favorable, may not be an actual approval but a "complete response letter" that describes additional work that must be done before the NDA can be approved. Before approving an NDA, the FDA can choose to inspect the facilities at which the product is manufactured and will not approve the product unless the manufacturing facility complies with GMPs. The FDA may also audit sites at which clinical trials have been conducted to determine compliance with GCPs and data integrity. The FDA's review of an NDA may also involve review and recommendations by an independent FDA advisory committee, particularly for novel indications. The FDA is not bound by the recommendation of an advisory committee.

In addition, delays or rejections may be encountered based upon changes in regulatory policy, regulations or statutes governing product approval during the period of product development and regulatory agency review.

Before receiving FDA approval to market a potential product, we or our collaborators must demonstrate through adequate and well-controlled clinical studies that the potential product is safe and effective in the patient population that will be treated. In addition, under the Pediatric Research Equity Act, or PREA, an NDA or supplement to an NDA must contain data to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective, unless a waiver applies. If regulatory approval of a potential product is granted, this approval will be limited to those disease states and conditions for which the product is approved. Marketing or promoting a drug for an unapproved indication is generally prohibited. Furthermore, FDA approval may entail ongoing requirements for risk management, including post-marketing, or Phase 4, studies. Even if approval is obtained, each marketed product, is subject to payment of a significant annual program user fee and continuing review and periodic inspections by the FDA. Discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on the product or manufacturer, including labeling changes, warning letters, costly recalls or withdrawal of the product from the market.

Any drug is likely to produce some toxicities or undesirable side effects in animals and in humans when administered at sufficiently high doses and/or for sufficiently long periods of time. Unacceptable toxicities or side effects may occur at any dose level at any time in the course of studies in animals designed to identify unacceptable effects of a product candidate, known as toxicological studies, or during clinical trials of our potential products. The appearance of any unacceptable toxicity or side effect could cause us or regulatory authorities to interrupt, limit, delay or abort the development of any of our product candidates. Further, such unacceptable toxicity or side effects could ultimately prevent a potential product's approval by the FDA or foreign regulatory authorities for any or all targeted indications or limit any labeling claims and market acceptance, even if the product is approved.

In addition, as a condition of approval, the FDA may require an applicant to develop a risk evaluation and mitigation strategy, or REMS. A REMS uses risk minimization strategies beyond the professional labeling to ensure that the benefits of the product outweigh the potential risks. To determine whether a REMS is needed, the FDA will consider the size of the population likely to use the product, seriousness of the disease, expected benefit of the product, expected duration of treatment, seriousness of known or potential adverse events, and whether the product is a new molecular entity. REMS can include medication guides, physician communication plans for healthcare professionals, and elements to assure safe use, or ETASU. ETASU may include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. The FDA may require a REMS before approval or post-approval if it becomes aware of a serious risk associated with use of the product. The requirement for a REMS can materially affect the potential market and profitability of a product.

We and our collaborators and contract manufacturers also are required to comply with the applicable FDA GMP regulations. GMP regulations include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Manufacturing facilities are subject to inspection by the FDA. These facilities must be approved before we can use them in commercial manufacturing of our potential products and must maintain ongoing compliance for commercial

product manufacture. The FDA may conclude that we or our collaborators or contract manufacturers are not in compliance with applicable GMP requirements and other FDA regulatory requirements, which may result in delay or failure to approve applications, warning letters, product recalls and/or imposition of fines or penalties.

If a product is approved, we must also comply with post-marketing requirements, including, but not limited to, compliance with advertising and promotion laws enforced by various government agencies, including the FDA's Office of Prescription Drug Promotion, through such laws as the Prescription Drug Marketing Act, federal and state anti-fraud and abuse laws, including anti-kickback and false claims laws, healthcare information privacy and security laws, post-marketing safety surveillance, and disclosure of payments or other transfers of value to healthcare professionals and entities. In addition, we are subject to other federal and state regulation including, for example, the implementation of corporate compliance programs.

In order to distribute products commercially, we must comply with state laws that require the registration of manufacturers and wholesale distributors of pharmaceutical products in a state, including, in certain states, manufacturers and distributors who ship products into the state even if such manufacturers or distributors have no place of business within the state. Some states also impose requirements on manufacturers and distributors to establish the pedigree of product in the chain of distribution, including some states that require manufacturers and others to adopt new technology capable of tracking and tracing product as it moves through the distribution chain.

Outside of the United States, our ability to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are applied for at a national level, although within the European Community, or EC, centralized registration procedures are available to companies wishing to market a product in more than one EC member state. If the regulatory authority is satisfied that adequate evidence of safety, quality and efficacy has been presented, marketing authorization will be granted. This foreign regulatory approval process involves all of the risks associated with FDA marketing approval discussed above. In addition, foreign regulations may include applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws, and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals and entities.

Coverage and Reimbursement

Sales of NUPLAZID and of our product candidates, if approved, depend and will depend, in part, on the extent to which such products will be covered by third-party payors, such as government health care programs, commercial insurance and managed healthcare organizations. These third-party payors are increasingly limiting coverage and/or reducing reimbursements for medical products and services. A third-party payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a drug product does not assure that other payors will also provide coverage for the drug product. In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. Decreases in third-party payor reimbursement or a decision by a third-party payor to not cover NUPLAZID or any future approved products could reduce physician usage of our products, and have a material adverse effect on our sales, results of operations and financial condition.

In the United States, the Medicare Part D program provides a voluntary outpatient drug benefit to Medicare beneficiaries for certain products. NUPLAZID is available for coverage under Medicare Part D, but the individual Part D plans offer coverage subject to various factors such as those described above. In addition, while Medicare Part D plans have historically included "all or substantially all" drugs in the following designated classes of "clinical concern" on their formularies: anticonvulsants, antidepressants, antineoplastics, antipsychotics, antiretrovirals, and immunosuppressants, the Centers for Medicare and Medicaid Services, or CMS, has in the past proposed, but not adopted, changes to this policy. If this policy is changed in the future and if CMS no longer considers the antipsychotic class to be of "clinical concern", Medicare Part D plans would have significantly more discretion to reduce the number of products covered in that class, including coverage of NUPLAZID. Furthermore, private third-party payors often follow Medicare coverage policies and payment limitations in setting their own coverage policies.

Healthcare Laws and Regulations

We are subject to healthcare regulation and enforcement by the federal government and the states and foreign governments in which we conduct our business. The healthcare laws and regulations that may affect our ability to operate include the following:

- The federal Anti-Kickback Statute makes it illegal for any person or entity to knowingly and willfully, directly or indirectly, solicit, receive, offer, or pay any remuneration that is in exchange for or to induce the referral of business,

including the purchase, order, lease of any good, facility, item or service for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. The term "remuneration" has been broadly interpreted to include anything of value.

- Federal false claims and false statement laws, including the federal civil False Claims Act, prohibits, among other things, any person or entity from knowingly presenting, or causing to be presented, for payment to, or approval by, federal programs, including Medicare and Medicaid, claims for items or services, including drugs, that are false or fraudulent.
- The U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created additional federal criminal statutes that prohibit among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors or making any false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their implementing regulations, imposes obligations on certain types of individuals and entities regarding the electronic exchange of information in common healthcare transactions, as well as standards relating to the privacy and security of individually identifiable health information. In addition, the European Union, or EU, has established its own data security and privacy legal framework, including but not limited to the recently adopted European General Data Protection Regulation (EU) 2016/79, or GDPR, which contains new provisions specifically directed at the processing of health information, higher sanctions than previous EU data protection laws and extra-territoriality measures intended to bring non-EU companies under the regulation. We currently conduct clinical trials in the EU and will need to be compliant with these requirements. We anticipate that over time we may expand our business operations to include additional operations in the EU. With such expansion, we would be subject to increased governmental regulation in the EU countries in which we might operate, including the GDPR.
- The federal Physician Payments Sunshine Act requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to report annually to CMS information related to payments or other transfers of value made to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members.

Also, many states have similar laws and regulations, such as anti-kickback and false claims laws that may be broader in scope and may apply regardless of payor, in addition to items and services reimbursed under Medicaid and other state programs. Additionally, we may be subject to state laws that require pharmaceutical companies to comply with the federal government's and/or pharmaceutical industry's voluntary compliance guidelines, state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures, state laws that require drug manufacturers to report information on the pricing of certain drugs, state and local laws that require the registration of pharmaceutical sales representatives, as well as state and foreign laws governing the privacy and security of health information, many of which differ from each other in significant ways and often are not preempted by HIPAA.

If we are found to be in violation of any of these laws or any other federal or state regulations, we may be subject to significant administrative, civil and/or criminal penalties, damages, fines, individual imprisonment, exclusion from federal health care programs, additional reporting requirements and/or oversight, and the curtailment or restructuring of our operations.

Additionally, to the extent that our product is sold in a foreign country, we may be subject to similar foreign laws.

Healthcare Reform

The United States and some foreign jurisdictions are considering or have enacted a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell our products profitably. By way of example, in March 2010, the ACA was signed into law, which intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add transparency requirements for the healthcare and health insurance industries, impose taxes and fees on the health industry and impose additional health policy reforms.

Among the provisions of the ACA of importance to NUPLAZID and our product candidates are:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1 percent and 13.0 percent of the average manufacturer price for branded and generic drugs, respectively;

- extension of a manufacturer's Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133 percent of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- a Medicare Part D coverage gap discount program, in which manufacturers must now agree to offer 70 percent point-of-sale discounts to negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for a manufacturer's outpatient drugs to be covered under Medicare Part D;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- a requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

There have been judicial and Congressional challenges to certain aspects of the ACA, as well as recent efforts by the Trump administration to repeal and replace certain aspects of the ACA, and we expect such challenges to continue. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been enacted. The Tax Cuts and Jobs Act of 2017, or 2017 Tax Act, includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". On January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain fees mandated by the ACA, including the so-called "Cadillac" tax on certain high cost employer-sponsored insurance plans and the annual fee imposed on certain health insurance providers based on market share. The Bipartisan Budget Act of 2018, or the BBA, among other things, amends the ACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans. In July 2018, CMS published a final rule permitting further collections and payments to and from certain ACA qualified health plans and health insurance issuers under the ACA risk adjustment program in response to the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. On December 14, 2018, a federal judge in Texas ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the 2017 Tax Act. While the judge, as well as the Trump administration and CMS, have stated that the ruling will have no immediate effect pending appeal of the decision, it is unclear how this decision, subsequent appeals, and other efforts to repeal and replace the ACA will impact the ACA.

Other legislative changes have been proposed and adopted in the United States since the ACA. Through the process created by the Budget Control Act of 2011, there are automatic reductions of Medicare payments to providers up to 2 percent per fiscal year, which went into effect in April 2013 and, following passage of the BBA, will remain in effect through 2027 unless additional Congressional action is taken. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to certain providers.

Moreover, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their commercial products. There have been several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the cost of drugs under Medicare, and reform government program reimbursement methodologies for drugs. The Trump administration's budget proposal for fiscal year 2019 contains additional drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid and to eliminate cost sharing for generic drugs for low-income patients. Additionally, the Trump administration released a "Blueprint" to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products and reduce the out of pocket costs of drug products paid by consumers. The U.S. Department of Health and Human Services, or HHS, has already started the process of soliciting feedback on some of these measures and, at the same, is immediately implementing others under its existing authority. For example, in September 2018, CMS announced that it will allow Medicare Advantage Plans the option to use step therapy for Part B drugs beginning January 1, 2019, in October 2018, CMS proposed a new rule that would require direct-to-consumer television advertisements of prescription drugs and biological products, for which payment is available through or under Medicare or Medicaid, to include in the advertisement the Wholesale Acquisition Cost, or list price, of that drug or biological product, and on January 31, 2019, the HHS Office of Inspector General proposed modifications to

federal Anti-Kickback Statute safe harbors which, among other things, may affect rebates paid by manufacturers to Medicare Part D plans, the purpose of which is to further reduce the cost of drug products to consumers. Although a number of these, and other proposed measures will require authorization through additional legislation to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that healthcare reform measures that may be adopted in the future may result in more rigorous coverage criteria and lower reimbursement, and additional downward pressure on the price that we receive for NUPLAZID and any future approved products. We cannot predict what healthcare reform initiatives may be adopted in the future. Additionally, on May 30, 2018, the Trickett Wendler, Frank Mongiello, Jordan McLinn, and Matthew Bellina Right to Try Act of 2017, or the Right to Try Act, was signed into law. The law, among other things, provides a federal framework for certain patients to access certain investigational new drug products that have completed a Phase I clinical trial and that are undergoing investigation for FDA approval. Under certain circumstances, eligible patients can seek treatment without enrolling in clinical trials and without obtaining FDA permission under the FDA expanded access program. There is no obligation for a pharmaceutical manufacturer to make its drug products available to eligible patients as a result of the Right to Try Act.

Manufacturing and Distribution

We currently outsource, and plan to continue to outsource, manufacturing activities for NUPLAZID, as well as for our existing and future product candidates for development and commercial purposes. We believe this manufacturing strategy will enable us to direct our financial resources to our commercial activities and to the ongoing development of pimavanserin without devoting the substantial resources and capital required to build manufacturing facilities.

During 2015, we licensed worldwide intellectual property rights related to pimavanserin in certain indications to ACADIA Pharmaceuticals GmbH, our wholly-owned Swiss subsidiary. Our active pharmaceutical ingredient, or API, has been manufactured in Switzerland for over 10 years and we anticipate continuing to manufacture in Switzerland. ACADIA Pharmaceuticals GmbH manages the worldwide supply chain of pimavanserin API.

ACADIA Pharmaceuticals GmbH has contracted with Siegfried AG, or Siegfried, to manufacture the API to be used in the manufacture of NUPLAZID for commercial use. Under the manufacturing agreement, ACADIA Pharmaceuticals GmbH has agreed to purchase from Siegfried specified percentages of our commercial requirements of API for the United States and Europe. The parties may also agree in the future on additional services under the manufacturing agreement with respect to non-commercial supply or development activities. The term of the manufacturing agreement ends in December 2021 and will automatically renew for subsequent two-year terms unless either party provides timely notice of its intent not to renew, or unless the manufacturing agreement is terminated earlier pursuant to its terms. Either party may terminate the manufacturing agreement prior to expiration upon an uncured material breach by the other party, upon the dissolution or liquidation of the other party, the commencement of insolvency procedures that are not dismissed within a certain period of time, the appointment of any receiver, trustee or assignee to take possession of the properties of the other party or the cessation of all or substantially all of the other party's business operations, upon certain continuing patent infringement, regulatory litigation or other legal proceedings involving the manufacture of API, upon a continuing force majeure affecting the other party, or if no services are currently being provided under the manufacturing agreement. Additionally, if the parties agree on development services under the manufacturing agreement, the parties may terminate such services by mutual agreement if reasonable efforts to achieve the goals of such services fail. ACADIA Pharmaceuticals GmbH also may terminate any services under the manufacturing agreement for any reason on 90 days' prior notice to Siegfried, subject to the requirements of the manufacturing agreement.

We have contracted with Patheon Pharmaceuticals Inc., or Patheon, to manufacture NUPLAZID drug product for commercial use in the United States. Under the manufacturing agreement, we have agreed to purchase from Patheon a specified percentage of our commercial requirements of NUPLAZID for the United States. The term of the manufacturing agreement ends in December 2020 and will automatically renew for subsequent two-year terms unless either party provides timely notice of its intent not to renew, or unless the manufacturing agreement is terminated early pursuant to its terms. Each party may terminate the manufacturing agreement prior to expiration upon the uncured material breach by the other party, upon the bankruptcy or insolvency of the other party or in the event of a continuing force majeure event affecting the other party. The manufacturing agreement will also terminate if we provide notice to Patheon that we no longer require manufacturing services because NUPLAZID has been discontinued. Additionally, we may terminate the manufacturing agreement, subject to certain limitations, if any regulatory authority takes any action or raises any objection that prevents us from continuing to commercialize NUPLAZID or takes an enforcement action against Patheon’s manufacturing site that relates to NUPLAZID or could reasonably be expected to adversely affect Patheon’s ability to supply

NUPLAZID, if we determine to discontinue commercialization of NUPLAZID for safety or efficacy reasons, or if Patheon uses any debarred person in performing its service obligations under the manufacturing agreement. We also may terminate the manufacturing agreement for any other reason on three years' prior notice to Patheon. Additionally, Patheon may terminate the manufacturing agreement if we assign the manufacturing agreement or any of our rights under the manufacturing agreement to a Patheon competitor.

We have also contracted with Catalent Pharma Solutions, LLC, or Catalent, to manufacture NUPLAZID drug product capsules for commercial use in the United States. Under the supply agreement, Catalent has agreed to manufacture and supply NUPLAZID 34 mg capsule drug product, referred to as NUPLAZID capsules, for our commercial use in the United States, Canada and Europe, and we have agreed to purchase from Catalent a specified percentage of our commercial requirements of NUPLAZID capsules for such territory, subject to a minimum annual purchase commitment of NUPLAZID capsules. Catalent will manufacture NUPLAZID capsules using API supplied by another third-party manufacturer. Under the supply agreement, Catalent will also perform specified validation services. The term of the supply agreement extends for five years from the date that Catalent is first approved by a regulatory authority in the United States, Canada or Europe to produce NUPLAZID capsules, and will automatically renew for subsequent two-year terms unless either party provides timely notice of its intent not to renew, or unless the supply agreement is terminated early pursuant to its terms. Either we or Catalent may terminate the supply agreement prior to expiration upon the bankruptcy or insolvency of the other party or upon an uncured material breach by the other party. We may terminate the supply agreement, subject to certain limitations, if any regulatory authority takes any enforcement or other action against Catalent's facility which affects Catalent's ability to manufacture NUPLAZID capsules, or takes any action or raises any objection that prevents us from manufacturing, importing, exporting, purchasing or selling NUPLAZID capsules, if we determine to discontinue commercialization of NUPLAZID capsules in the United States for safety or efficacy reasons, or if Catalent uses any debarred person in performing its service obligations under the supply agreement. The FDA approved our NDA for the 34 mg NUPLAZID capsule formulation in June 2018 and was made commercially available in August 2018.

We sell NUPLAZID to a limited number of specialty pharmacies, or SPs, and specialty distributors, or SDs, which we collectively refer to as our customers. SPs subsequently dispense NUPLAZID to patients based on the fulfillment of a prescription and SDs subsequently sell NUPLAZID to government facilities, long-term care pharmacies, and in-patient hospital pharmacies. Four customers, each based in the United States, accounted for approximately 85 percent of our total revenue for the year ended December 31, 2018. We have retained third-party service providers to perform a variety of functions related to the distribution of NUPLAZID, including warehousing, customer service, order-taking, invoicing, collections, and shipment and returns processing.

Sales and Marketing

We have a U.S. sales force of approximately 150 sales specialists who are focused on promoting NUPLAZID to physicians who treat PD Psychosis patients, including neurologists, psychiatrists and long-term care physicians. This sales force is supported by an experienced sales leadership team of regional sales managers and account managers, and our experienced commercial team comprised of experienced professionals in marketing, access and reimbursement, managed markets, marketing research, commercial operations, and sales force planning and management. In addition, our commercial infrastructure includes capabilities in manufacturing, medical affairs, quality control, and compliance.

We launched NUPLAZID in May 2016, and our focus is to continue to establish NUPLAZID as the first choice, best choice for patients with PD Psychosis. In order to help us achieve this goal, we are continuing to increase awareness of NUPLAZID and PD Psychosis with a prescriber and patient education campaign consisting of key opinion leader speaker programs, attendance at medical meetings, multimedia campaigns, and direct-to-patient programs.

In selected markets outside of the United States in which NUPLAZID may be approved, if any, we may choose to commercialize NUPLAZID independently or by establishing one or more strategic alliances.

Long-Lived Assets

Our tangible long-lived assets, comprised of property and equipment totaled $3.3 million, $2.7 million, and $3.1 million as of December 31, 2018, 2017 and 2016, respectively. All of our tangible long-lived assets are located in the United States.

Employees

At December 31, 2018, we had approximately 430 employees. Of this workforce, approximately 135 employees were engaged in research and development activities, 90 were engaged in administrative activities such as finance, legal, and information technology, and 205 were engaged in sales, commercial operations and marketing. None of our employees is represented by a collective bargaining agreement, nor have we experienced work stoppages. We believe that our relations with our employees are good.

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

You should consider carefully the following information about the risks described below, together with the other information contained in this Annual Report and in our other public filings, in evaluating our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our common stock would likely decline.

Risks Related to Our Business

Our prospects are highly dependent on the successful commercialization of NUPLAZID, which received approval in April 2016 from the U.S. Food and Drug Administration, or FDA, as a treatment for hallucinations and delusions associated with Parkinson's disease psychosis, and became available for prescription in the United States in May 2016. To the extent NUPLAZID is not commercially successful, our business, financial condition and results of operations may be materially adversely affected and the price of our common stock may decline.

NUPLAZID is our only drug that has been approved for sale and it has only been approved for the treatment of hallucinations and delusions associated with Parkinson's disease psychosis, or PD Psychosis, in the United States. We are focusing a significant portion of our activities and resources on NUPLAZID, and we believe our prospects are highly dependent on, and a significant portion of the value of our company relates to, our ability to successfully commercialize NUPLAZID in the United States.

Successful commercialization of NUPLAZID is subject to many risks. Prior to NUPLAZID, we had never, as an organization, launched or commercialized any product, and there is no guarantee that we will be able to successfully commercialize NUPLAZID for its approved indication. There are numerous examples of failures to meet high expectations of market potential, including by pharmaceutical companies with more experience and resources than us. While we have established our commercial team and have hired our U.S. sales force, we will need to refine and further develop the team in order to successfully commercialize NUPLAZID. Even if we are successful in developing our commercial team, there are many factors that could cause the commercialization of NUPLAZID to be unsuccessful, including a number of factors that are outside our control. Because no drug has previously been approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis, it is especially difficult to estimate NUPLAZID's market potential. The commercial success of NUPLAZID depends on the extent to which patients and physicians recognize and diagnose PD Psychosis and accept and adopt NUPLAZID as a treatment for hallucinations and delusions associated with PD Psychosis, and we do not know whether our or others' estimates in this regard will be accurate. For example, if the patient population suffering from hallucinations and delusions associated with PD Psychosis is smaller than we estimate or if physicians are unwilling to prescribe or patients are unwilling to take NUPLAZID due to its "boxed" warning, perceived safety issues, or for other reasons, the commercial potential of NUPLAZID will be limited. We have limited information about how physicians, patients and payors have responded and will respond to the pricing of NUPLAZID. We have changed, and may continue to change, the price of NUPLAZID from time to time. Physicians may not prescribe NUPLAZID and patients may be unwilling to use NUPLAZID if coverage is not provided or reimbursement is inadequate to cover a significant portion of the cost. Additionally, any negative publicity related to NUPLAZID, or negative development for NUPLAZID in our post-marketing commitments, in clinical development in additional indications, or in regulatory processes in other jurisdictions, may adversely impact the commercial results and potential of NUPLAZID. Thus, significant uncertainty remains regarding the commercial potential of NUPLAZID.

If the commercialization of NUPLAZID is unsuccessful or perceived as disappointing, our stock price could decline significantly and the long-term success of the product and our company could be harmed.

If we do not obtain regulatory approval of NUPLAZID for other indications in the United States, or for any indication in foreign jurisdictions, or regulatory approval of trofinetide for Rett syndrome, we will not be able to market NUPLAZID for other indications or in other jurisdictions or market trofinetide at all, which will limit our commercial revenues.

While NUPLAZID (pimavanserin) has been approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis, it has not been approved by the FDA for any other indications, and it has not been approved in any other jurisdiction for this indication or for any other indication. In order to market NUPLAZID for other indications or in other jurisdictions, we must obtain regulatory approval for each of those indications and in each of the applicable jurisdictions, and we may never be able to obtain such approval. Approval of NUPLAZID by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis does not ensure that foreign jurisdictions will also approve NUPLAZID for that indication, nor does it ensure that NUPLAZID will be approved by the FDA for any other indication. In the fourth quarter of 2016, we initiated clinical studies of pimavanserin in schizophrenia and, in the fourth quarter of 2017, we initiated a Phase 3 study of pimavanserin in dementia-related psychosis, an indication for which no drug has been approved. We plan to initiate a Phase 3 program for pimavanserin as an adjunctive treatment for major depressive disorder in the first half of 2019 and we plan to initiate a Phase 3 study of trofinetide for Rett syndrome in the second half of 2019. There is no guarantee that any of these studies will be successful, or that the FDA or any regulatory authority in foreign jurisdictions will approve NUPLAZID or trofinetide for any of those indications. The research, testing, manufacturing, labeling, approval, sale, import, export, marketing, and distribution of pharmaceutical product candidates are subject to extensive regulation by the FDA and other regulatory authorities in the United States and other countries, whose regulations differ from country to country. We will be required to comply with different regulations and policies of the jurisdictions where we seek approval for our product candidates, and we have not yet identified all of the requirements that we will need to satisfy to submit NUPLAZID for approval for other indications or in other jurisdictions or to submit trofinetide for approval for Rett syndrome. This will require additional time, expertise and expense, including the potential need to conduct additional studies or development work for other jurisdictions beyond the work that we have conducted to support our NDA submission in PD Psychosis. In addition, strategic considerations need to be taken into account when determining whether and when to submit NUPLAZID for approval in other jurisdictions. For example, in the fourth quarter of 2016, the European Medicines Agency, or EMA, approved our proposed pediatric investigation plan related to our planned submission of a marketing authorization application, or MAA, for NUPLAZID in Europe. However, in light of our continuing clinical development of pimavanserin in indications other than in PD Psychosis, and the time-limited data exclusivity currently granted by the EMA that commences on first approval of a product in Europe, we deferred submission of the MAA and we do not yet have a revised estimate of when we will make that filing. If we do not receive marketing approval for NUPLAZID for any other indication or from any regulatory agency outside of the United States or any marketing approval for trofinetide, we will never be able to commercialize NUPLAZID for any other indication in the United States or for any indication in any other jurisdiction or be able to commercialize trofinetide at all. Even if we do receive additional regulatory approvals, we may not be successful in commercializing those opportunities.

If the results or timing of regulatory filings, the regulatory process, regulatory developments, clinical trials or preclinical studies, or other activities, actions or decisions related to NUPLAZID do not meet our or others' expectations, the market price of our common stock could decline significantly.

Even though the FDA has granted approval of NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis, the terms of the approval may limit its commercial potential. Additionally, NUPLAZID is still subject to substantial, ongoing regulatory requirements.

Even though the FDA has granted approval of NUPLAZID, the scope and terms of the approval may limit our ability to commercialize NUPLAZID and, therefore, our ability to generate substantial sales revenues. The FDA has approved NUPLAZID only for the treatment of hallucinations and delusions associated with PD Psychosis. The label for NUPLAZID also contains a "boxed" warning that elderly patients with dementia-related psychosis treated with antipsychotic drugs are at an increased risk of death, and that NUPLAZID is not approved for the treatment of patients with dementia-related psychosis unrelated to the hallucinations and delusions associated with PD Psychosis.

Additionally, NUPLAZID is approved only for the treatment of hallucinations and delusions associated with PD Psychosis, rather than for the treatment of PD Psychosis and/or other symptoms of PD Psychosis, which may cause confusion for prescribing physicians. This confusion could result in physicians not prescribing NUPLAZID for patients diagnosed with PD Psychosis. In addition, the "boxed" warning may discourage physicians from prescribing NUPLAZID to patients diagnosed with PD Psychosis, including those with dementia.

In connection with the FDA approval, we committed to conduct the following post-marketing studies: (i) a randomized, placebo-controlled withdrawal study in PD Psychosis patients treated with NUPLAZID, (ii) studies to collect additional data to add to the NUPLAZID safety database from an aggregate of at least 500 predominantly frail and elderly subjects on NUPLAZID in one or more randomized, placebo-controlled studies of eight or more weeks duration, (iii) a drug-drug interaction study with NUPLAZID and

a strong CYP3A4 inducer, and (iv) re-analysis of tissue samples from certain previously conducted pre-clinical studies. We have completed the re-analysis of tissue samples and we have submitted a supplemental NDA, or sNDA, for the completed CYP3A4 study, but the remaining studies are ongoing. If we fail to comply with our remaining post-marketing commitments, or if the results of the post-marketing studies, or any other ongoing or planned clinical studies of NUPLAZID, are negative, the FDA could decide to withdraw approval, add warnings or narrow the approved indication in the product label.

The manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for NUPLAZID will also continue to be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with current good manufacturing processes, good clinical practices, international council for harmonization guidelines and good laboratory practices, which are regulations and guidelines enforced by the FDA for all of our nonclinical and clinical development and for any clinical trials that we conduct post-approval.

Discovery of any issues post-approval, including any safety concerns, such as unexpected side effects or drug-drug interaction problems, adverse events of unanticipated severity or frequency, or concerns over misuse or abuse of the product, problems with the facilities where the product is manufactured, packaged or distributed, or failure to comply with regulatory requirements, may result in, among other things, restrictions on NUPLAZID or on us, including:

- withdrawal of approval, addition of warnings or narrowing of the approved indication in the product label;
- requirement of a Risk Evaluation and Mitigation Strategy to mitigate the risk of off-label use in populations where the FDA may believe that the potential risks of use may outweigh its benefits;
- voluntary or mandatory recalls;
- warning letters;
- suspension of any ongoing clinical studies;
- refusal by the FDA or other regulatory authorities to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of product approvals;
- restrictions on operations, including restrictions on the marketing or manufacturing of the product or the imposition of costly new manufacturing requirements; or
- seizure or detention, or refusal to permit the import or export of products.

If any of these actions were to occur, we may have to discontinue the commercialization of NUPLAZID, limit our sales and marketing efforts, conduct further post-approval studies, and/or discontinue or change any other ongoing or planned clinical studies, which in turn could result in significant expense and delay or limit our ability to generate sales revenues.

NUPLAZID has only been studied in a limited number of patients and in limited populations. As we continue to commercialize NUPLAZID, it is becoming available to a much larger number of patients and in broader populations, and we do not know whether the results of NUPLAZID use in such larger number of patients and broader populations will be consistent with the results from our clinical studies.

Prior to commencing our commercial launch of NUPLAZID in May 2016, NUPLAZID was administered only to a limited number of patients and in limited populations in clinical studies, including our successful pivotal -020 Phase 3 trial with NUPLAZID for the treatment of PD Psychosis, or the -020 Study. While the FDA granted approval of NUPLAZID based on the data included in the NDA, including data from the -020 Study, we do not know whether the results when a large number of patients and broader populations are exposed to NUPLAZID, including results related to safety and efficacy, will be consistent with the results from earlier clinical studies of NUPLAZID that served as the basis for the approval of NUPLAZID. New data relating to NUPLAZID, including from adverse event reports and post-marketing studies in the United States, and from other ongoing clinical studies, may result in changes to the product label and may adversely affect sales, or result in withdrawal of NUPLAZID from the market. The FDA and regulatory authorities in other jurisdictions may also consider the new data in reviewing NUPLAZID marketing applications for indications other than in PD Psychosis and/or in other jurisdictions, or impose additional post-approval requirements. If any of these actions were to occur, it could result in significant expense and delay or limit our ability to generate sales revenues.

We currently have limited experience as a company in marketing and distributing pharmaceutical products and rely on a limited network of third-party distributors and pharmacies to distribute NUPLAZID. If we are unable to effectively commercialize NUPLAZID, we may not be able to generate adequate product revenues.

NUPLAZID is our only drug that has been approved for sale by any regulatory body, and it became available for prescription in the United States in May 2016. As such, we currently have limited experience commercializing pharmaceutical products as an organization. In order to successfully market NUPLAZID, we must continue to develop our sales, marketing, managerial, compliance, and related capabilities or make arrangements with third parties to perform these services. If we are unable to maintain and develop adequate sales, marketing, and distribution capabilities, whether independently or with third parties, we may not be able to appropriately commercialize NUPLAZID and may not become profitable.

We employ our own internal specialty sales force to commercialize NUPLAZID for the treatment of PD Psychosis as part of our commercialization strategy in the United States. We will need to refine and further develop our sales force as we continue our commercialization efforts, and we will be competing with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel. These efforts will continue to be expensive and time-consuming, and we cannot be certain that we will be able to successfully refine and further develop our sales force.

Additionally, our strategy in the United States includes distributing NUPLAZID solely through a limited network of third-party specialty distributors and specialty pharmacies. While we have entered into agreements with each of these distributors and pharmacies to distribute NUPLAZID in the United States, they may not perform as agreed or they may terminate their agreements with us. Also, we may need to enter into agreements with additional distributors or pharmacies, and there is no guarantee that we will be able to do so on commercially reasonable terms or at all. If we are unable to maintain and, if needed, expand, our network of specialty distributors and specialty pharmacies, we would be exposed to substantial distribution risk.

In the event we are unable to effectively develop and maintain our commercial team, including our U.S. sales force, or maintain and, if needed, expand, our network of specialty distributors and specialty pharmacies, our ability to effectively commercialize NUPLAZID and generate product revenues would be limited.

If we are unable to effectively train and equip our sales force, our ability to successfully commercialize NUPLAZID will be harmed.

Prior to its launch in May 2016, none of the members of our sales force had ever promoted NUPLAZID. In addition, NUPLAZID is the first drug approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis. As a result, we are and will continue to be required to expend significant time and resources to train our sales force to be credible, persuasive, and compliant with applicable laws in marketing NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis to neurologists, select psychiatrists, and pharmacists and physicians in long-term care facilities. In addition, we must ensure that consistent and appropriate messages about NUPLAZID are being delivered to our potential customers by our sales force. If we are unable to effectively train our sales force and equip them with effective materials, including medical and sales literature to help them inform and educate potential customers about the benefits of NUPLAZID and its proper administration, our efforts to successfully commercialize NUPLAZID could be put in jeopardy, which would negatively impact our ability to generate product revenues.

NUPLAZID may not gain acceptance among physicians, patients, and the medical community, thereby limiting our potential to generate revenues.

The degree of market acceptance by physicians, healthcare professionals and third-party payors of NUPLAZID, and any other product for which we obtain regulatory approval, and our profitability and growth, will depend on a number of factors, including:

- the ability to provide acceptable evidence of safety and efficacy;
- the scope of the approved indication(s) for the product;
- the inclusion of any warnings or contraindications in the product label;
- the relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- the availability of alternative treatments;
- pricing and cost effectiveness, which may be subject to regulatory control;

- effectiveness of our or our collaborators' sales and marketing strategy; and
- our ability to obtain sufficient third-party insurance coverage or adequate reimbursement levels.

If a product does not provide a treatment regimen that is at least as beneficial as the current standard of care or otherwise does not provide patient benefit, that product will not achieve market acceptance and will not generate sufficient revenues to achieve or maintain profitability.

With respect to NUPLAZID specifically, successful commercialization will depend on whether and to what extent physicians, long-term care facilities and pharmacies, over whom we have no control, determine to utilize NUPLAZID. NUPLAZID is available to treat hallucinations and delusions associated with PD Psychosis, an indication for which no other FDA-approved pharmaceutical treatment currently exists. Because of this, it is particularly difficult to estimate NUPLAZID's market potential and how physicians, payors and patients will respond to changes in the price of NUPLAZID. Industry sources and analysts have a divergence of estimates for the near- and long-term market potential of NUPLAZID, and a variety of assumptions directly impact the estimates for NUPLAZID's market potential, including assumptions regarding the prevalence of PD Psychosis, the rate of diagnosis of PD Psychosis, the prevalence and rate of hallucinations and delusions in patients diagnosed with PD Psychosis, the rate of physician adoption of NUPLAZID, the potential impact of payor restrictions regarding NUPLAZID, and patient adherence and compliance rates. Small differences in these assumptions can lead to widely divergent estimates of the market potential of NUPLAZID. For example, certain research suggests that patients with Parkinson's disease may be hesitant to report symptoms of PD Psychosis to their treating physicians for a variety of reasons, including apprehension about societal stigmas relating to mental illness. Research also suggests that physicians who typically treat patients with Parkinson's disease may not ask about or identify symptoms of PD Psychosis. For these reasons, even if PD Psychosis occurs in high rates among patients with Parkinson's disease, it may be underdiagnosed. Even if PD Psychosis is diagnosed, physicians may not prescribe treatment for hallucinations and delusions associated with PD Psychosis, and if they do prescribe treatment, they may prescribe other drugs, even though they are not approved in PD Psychosis, instead of NUPLAZID. Additionally, NUPLAZID is approved only for the treatment of hallucinations and delusions associated with PD Psychosis, rather than for the treatment of PD Psychosis and/or other symptoms of PD Psychosis, which may cause confusion for prescribing physicians. This confusion could result in physicians not prescribing NUPLAZID for patients diagnosed with PD Psychosis. In addition, even if NUPLAZID is prescribed for the treatment of hallucinations and delusions associated with PD Psychosis, issues may arise with respect to patient adherence and compliance rates. If patients do not adhere to the recommended dosing of NUPLAZID, patients and physicians may believe that NUPLAZID is less effective, and as a result they may stop taking it and prescribing it.

The label for NUPLAZID also contains a "boxed" warning that elderly patients with dementia-related psychosis treated with antipsychotic drugs are at an increased risk of death, and that NUPLAZID is not approved for the treatment of patients with dementia-related psychosis unrelated to the hallucinations and delusions associated with PD Psychosis. There has also been recent attention to publicly reported deaths of patients that were prescribed NUPLAZID, and the FDA conducted an evaluation of available information about NUPLAZID. On September 20, 2018 the U.S. FDA issued a statement concluding: "The U.S. FDA has completed a review of all post marketing reports of deaths and serious adverse events (SAEs) reported with the use of NUPLAZID. Based on an analysis of all available data, FDA did not identify any new or unexpected safety findings with NUPLAZID, or findings that are inconsistent with the established safety profile currently described in the drug label. After a thorough review, FDA's conclusion remains unchanged that the drug's benefits outweigh its risks for patients with hallucinations and delusions of Parkinson's disease psychosis." Regardless, perceptions that NUPLAZID is unsafe, even if unfounded, may discourage physicians from prescribing or patients from taking NUPLAZID.

Thus, the commercial success of NUPLAZID depends on acceptance by patients and physicians, and there are a number of factors that could skew our or others' estimates about prescribing behaviors and market adoption.

Our ability to generate product revenues will be diminished if NUPLAZID does not receive coverage from payors or sells for inadequate prices, or if patients have unacceptably high co-pay amounts.

Patients who are prescribed medicine for the treatment of their conditions generally rely on third-party payors, including governmental healthcare programs, such as Medicare and Medicaid, managed care organizations and commercial payors, among others, to reimburse all or part of the costs associated with their prescription drugs. Coverage and adequate reimbursement from third-party commercial payors is critical to product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor drug products when lower cost therapeutic alternatives are already available or subsequently become available. Even with coverage for NUPLAZID, or other products we may market, the resulting reimbursement payment rates might not be adequate or may require co-payments that patients find unacceptably high. Patients may not use NUPLAZID if coverage is not provided or reimbursement is inadequate to cover a significant portion of its cost.

In addition, the market for NUPLAZID depends significantly on access to third-party payors' drug formularies, or lists of medications for which third-party payors provide coverage and reimbursement. The industry competition to be included in such formularies often leads to downward pricing pressures on pharmaceutical companies. Also, third-party payors may refuse to include a particular branded drug in their formularies or otherwise restrict patient access to a branded drug when a less costly alternative is available, even if not approved for the indication for which NUPLAZID is approved.

In many foreign countries, particularly the countries of the European Union, the pricing of prescription drugs is subject to government control. In some non-U.S. jurisdictions, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. We may face competition from lower-priced products in foreign countries that have placed price controls on pharmaceutical products. In addition, there may be importation of foreign products that compete with NUPLAZID, and any other products we may market, which could negatively impact our profitability.

Third-party payors, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. The current environment is putting pressure on companies to price products below what they may feel is appropriate. Selling NUPLAZID at less than an optimized price could impact our revenues and overall success as a company. We have changed, and may continue to change, the price of NUPLAZID from time to time, however, we do not know if the price we have selected, or may select in the future, for NUPLAZID is or will be the optimized price. Additionally, we do not know whether and to what extent third-party payors will react to any possible future changes in the price of NUPLAZID. In the United States, no uniform policy of coverage and reimbursement for drug products exists among third-party payors. Further, one payor's determination to provide coverage and reimbursement for a product does not assure that other payors also will provide coverage and reimbursement for the product. Therefore, coverage and reimbursement for NUPLAZID may differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of NUPLAZID to each payor separately, with no assurance that coverage will be obtained. If we are unable to obtain coverage of, and adequate payment levels for, NUPLAZID or any other products we may market to third-party payors, physicians may limit how much or under what circumstances they will prescribe or administer them and patients may decline to purchase them. This in turn could affect our ability to successfully commercialize NUPLAZID, or any other products we may market, and thereby adversely impact our profitability, results of operations, financial condition, and future success.

Healthcare reform measures may negatively impact our ability to sell NUPLAZID or our product candidates, if approved, profitably.

In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could impact our ability to sell NUPLAZID, and any other potential products, as described in greater detail in the Government Regulation section of our Annual Report.

For example, the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we may receive for any approved product, including NUPLAZID. With respect to pharmaceutical products, the ACA, among other things, expanded and increased industry rebates for drugs covered by Medicaid and made changes to the coverage requirements under Medicare Part D, Medicare's prescription drug benefits program. Some of the provisions of the ACA have yet to be implemented, and there have been legal and political challenges to certain aspects of the ACA, as well as recent efforts by the Trump administration to repeal and replace certain aspects of the ACA, and we expect such challenges to continue. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been enacted. The Tax Cuts and Jobs Act of 2017, or 2017 Tax Act, includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". On January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain fees mandated by the ACA, including the so-called "Cadillac" tax on certain high cost employer-sponsored insurance plans and the annual fee imposed on certain health insurance providers based on market share. The Bipartisan Budget Act of 2018, or the BBA, among other things, amends the ACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole", and also increases for 2019 the percentage that a drug manufacturer must discount the cost of prescription drugs from 50 percent to 70 percent. Given that the current patient population for NUPLAZID is

primarily Medicare beneficiaries, accelerating the closure of the coverage gap and the increase in the discount that must be paid, could have a significant impact on the Company's business in 2019 and beyond. In July 2018, CMS published a final rule permitting further collections and payments to and from certain ACA qualified health plans and health insurance issuers under the ACA risk adjustment program in response to the outcome of litigation regarding the method CMS uses to determine this risk adjustment. On December 14, 2018, a federal judge in Texas ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the 2017 Tax Act. While the judge, as well as the Trump administration and CMS, have stated that the ruling will have no immediate effect pending appeal of the decision, it is unclear how this decision, subsequent appeals, and other efforts to repeal and replace the ACA will impact the ACA and our business.

Other legislative changes have been proposed and adopted in the United States since the ACA. Through the process created by the Budget Control Act of 2011, there are automatic reductions of Medicare payments to providers up to 2 percent per fiscal year, which went into effect in April 2013 and, following passage of the BBA, will remain in effect through 2027 unless additional Congressional action is taken. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to certain providers.

An expansion in the government's role in the U.S. healthcare industry may increase existing congressional or governmental agency scrutiny on price increases, such as the ones we have implemented for NUPLAZID, cause general downward pressure on the prices of prescription drug products, lower reimbursements for providers using NUPLAZID or any other product for which we obtain regulatory approval, reduce product utilization and adversely affect our business and results of operations. There have been several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the cost of drugs under Medicare, and reform government program reimbursement methodologies for drugs. For example, the Trump administration's budget proposal for fiscal year 2019 contains additional drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid and to eliminate cost sharing for generic drugs for low-income patients. Additionally, the Trump administration released a "Blueprint", or plan, to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out of pocket costs of drug products paid by consumers. The Department of Health and Human Services, or HHS, has already started the process of soliciting feedback on some of these measures and, at the same, is immediately implementing others under its existing authority. For example, in September 2018, CMS announced that it will allow Medicare Advantage Plans the option to use step therapy for Part B drugs beginning January 1, 2019, in October 2018, CMS proposed a new rule that would require direct-to-consumer television advertisements of prescription drugs and biological products, for which payment is available through or under Medicare or Medicaid, to include in the advertisement the Wholesale Acquisition Cost, or list price, of that drug or biological product, and on January 31, 2019, the HHS Office of Inspector General proposed modifications to federal Anti-Kickback Statute safe harbors which, among other things, may affect rebates paid by manufacturers to Medicare Part D plans, the purpose of which is to further reduce the cost of drug products to consumers. Although a number of these, and other proposed measures will require authorization through additional legislation to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. Individual states in the United States have also increasingly passed legislation and implemented regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. The implementation of cost-containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize NUPLAZID or any other products for which we may receive regulatory approval.

We are subject, directly and indirectly, to federal, state and foreign healthcare laws and regulations, including healthcare fraud and abuse laws, false claims laws, physician payment transparency laws and health information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.

Our operations are directly, and indirectly through our customers and third-party payors, subject to various U.S. federal and state healthcare laws and regulations, including, without limitation, the U.S. federal Anti-Kickback Statute, the U.S. federal False Claims Act, and physician sunshine laws and regulations. These laws may impact, among other things, our sales, marketing, grants, charitable donations, and education programs and constrain the business or financial arrangements with healthcare providers, physicians, charitable foundations that support Parkinson's disease patients generally, and other parties that have the ability to directly or indirectly influence the prescribing, ordering, marketing, or distribution of our products for which we obtain marketing approval. In addition, we are subject to patient data privacy and security regulation by both the U.S. federal government and the states in which we conduct our business. Finally, we may be subject to additional healthcare, statutory and regulatory requirements and enforcement by foreign regulatory authorities in jurisdictions in which we conduct our business. The laws that may affect our ability to operate include:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or paying any remuneration (including any kickback, bribe, or certain rebates), directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for, either the referral of an individual, or the purchase, lease, order or recommendation of any good, facility, item or service, for which payment may be made, in whole or in part, under U.S. federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the U.S. federal civil and criminal false claims laws and civil monetary penalties laws, including the civil False Claims Act, which impose criminal and civil penalties, including through civil whistleblower or qui tam actions, on individuals or entities for, among other things, knowingly presenting, or causing to be presented to the U.S. federal government, claims for payment or approval that are false or fraudulent or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services. Similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their implementing regulations, and as amended again by the Final HIPAA Omnibus Rule, Modifications to the HIPAA Privacy, Security, Enforcement and Breach Notification Rules Under HITECH and the Genetic Information Nondiscrimination Act; Other Modifications to the HIPAA Rules, published in January 2013, which imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information without appropriate authorization by covered entities subject to the rule, such as health plans, healthcare clearinghouses and certain healthcare providers as well as their business associates, individuals or entities that perform certain services involving the use or disclosure of individually identifiable health information on behalf of a covered entity;
- the U.S. Federal Food, Drug and Cosmetic Act, or FDCA, which prohibits, among other things, the adulteration or misbranding of drugs, biologics and medical devices;
- the U.S. federal physician payment transparency requirements, sometimes referred to as the "Physician Payments Sunshine Act", which was enacted as part of the ACA and its implementing regulations and requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to CMS information related to certain payments and other transfers of value made to physicians, and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members;
- analogous state and local laws and regulations, including: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that

require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state and local laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities and/or the registration of pharmaceutical sales and medical representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and

- European and other foreign law equivalents of each of the laws, including reporting requirements detailing interactions with and payments to healthcare providers, and the European General Data Protection Regulation (EU) 2016/679, or GDPR, which became effective in May 2018 and contains new provisions specifically directed at the processing of health information, higher sanctions and extra-territoriality measures intended to bring non-EU companies under the regulation, including companies like us that conduct clinical trials in the EU; we anticipate that over time we may expand our business operations to include additional operations in the EU and with such expansion, we would be subject to increased governmental regulation in the EU countries in which we might operate, including the GDPR.

Additionally, California recently enacted legislation that has been dubbed the first "GDPR-like" law in the United States. Known as the California Consumer Privacy Act, or CCPA, it creates new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. When it goes into effect on January 1, 2020, the CCPA will require covered companies to provide new disclosures to California consumers, provide such consumers new ways to opt-out of certain sales of personal information, and allow for a new cause of action for data breaches. Legislators have stated that amendments will be proposed to the CCPA before it goes into effect, but it remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted. As currently written, the CCPA will likely impact (possibly significantly) our business activities and exemplifies the vulnerability of our business to not only cyber threats but also the evolving regulatory environment related to personal data and protected health information.

Ensuring that our internal operations and future business arrangements with third parties comply with applicable healthcare laws and regulations could involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. For example, contributions to third-party charitable foundations are a current area of significant governmental and congressional scrutiny, and we could face action if a federal or state governmental authority were to conclude that our charitable contributions to foundations that support Parkinson's disease patients generally are not compliant. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, exclusion from U.S. government-funded healthcare programs, such as Medicare and Medicaid, disgorgement, individual imprisonment, contractual damages, reputational harm, diminished profits, additional reporting requirements and/or oversight, and the curtailment or restructuring of our operations. Moreover, while we do not bill third-party payors directly and our customers make the ultimate decision on how to submit claims, from time-to-time, for NUPLAZID, and any other product candidates that may be approved, we may provide reimbursement guidance to patients and healthcare providers. If a government authority were to conclude that we provided improper advice and/or encouraged the submission of a false claim for reimbursement, we could face action against us by government authorities. If any of the physicians or other providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government-funded healthcare programs and imprisonment. If any of the above occur, it could adversely affect our ability to operate our business and our results of operations. In addition, the approval and commercialization of NUPLAZID, or any other product candidates that may be approved, outside the United States will also likely subject us to foreign equivalents of the healthcare laws mentioned above, among other foreign laws.

If we fail to comply with our reporting and payment obligations under the Medicaid Drug Rebate Program or other governmental pricing programs in the United States, we could be subject to additional reimbursement requirements, fines, sanctions and exposure under other laws which could have a material adverse effect on our business, results of operations and financial condition.

We participate in the Medicaid Drug Rebate Program, as administered by CMS, and other federal and state government pricing programs in the United States, and we may participate in additional government pricing programs in the future. These programs generally require us to pay rebates or otherwise provide discounts to government payors in connection with drugs that are dispensed to beneficiaries/recipients of these programs. In some cases, such as with the Medicaid Drug Rebate Program, the rebates are based on pricing that we report on a monthly and quarterly basis to the government agencies that administer the programs. Pricing requirements and rebate/discount calculations are complex, vary among products and programs, and are often subject to interpretation by governmental or regulatory agencies and the courts. The requirements of these programs, including, by way of example, their

respective terms and scope, change frequently. Responding to current and future changes may increase our costs, and the complexity of compliance will be time consuming. Invoicing for rebates is provided in arrears, and there is frequently a time lag of up to several months between the sales to which rebate notices relate and our receipt of those notices, which further complicates our ability to accurately estimate and accrue for rebates related to the Medicaid program as implemented by individual states. Thus, there can be no assurance that we will be able to identify all factors that may cause our discount and rebate payment obligations to vary from period to period, and our actual results may differ significantly from our estimated allowances for discounts and rebates. Changes in estimates and assumptions may have a material adverse effect on our business, results of operations and financial condition.

In addition, the HHS Office of Inspector General and other Congressional, enforcement and administrative bodies have recently increased their focus on pricing requirements for products, including, but not limited to the methodologies used by manufacturers to calculate average manufacturer price, or AMP, and best price, or BP, for compliance with reporting requirements under the Medicaid Drug Rebate Program. We are liable for errors associated with our submission of pricing data and for any overcharging of government payors. For example, failure to submit monthly/quarterly AMP and BP data on a timely basis could result in significant civil monetary penalties for each day the submission is late beyond the due date. Failure to make necessary disclosures and/or to identify overpayments could result in allegations against us under the civil False Claims Act and other laws and regulations. Any required refunds to the U.S. government or responding to a government investigation or enforcement action would be expensive and time consuming and could have a material adverse effect on our business, results of operations and financial condition. In addition, in the event that the CMS were to terminate our rebate agreement, no federal payments would be available under Medicaid or Medicare for our covered outpatient drugs.

The FDA granted marketing approval of NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis, and we could face liability if a regulatory authority determines that we are promoting NUPLAZID for any "off-label" uses.

A company may not promote "off-label" uses for its drug products. An off-label use is the use of a product for an indication or patient population that is not described in the product's FDA-approved label in the United States or for uses in other jurisdictions that differ from those approved by the applicable regulatory agencies. Physicians, on the other hand, may prescribe products for off-label uses. Although the FDA and other regulatory agencies do not regulate a physician's choice of drug treatment made in the physician's independent medical judgment, they do restrict promotional communications from pharmaceutical companies or their sales force with respect to off-label uses of products for which marketing clearance has not been issued. A company that is found to have promoted off-label use of its product may be subject to significant liability, including civil and criminal sanctions. We intend to comply with the requirements and restrictions of the FDA and other regulatory agencies with respect to our promotion of NUPLAZID, and any other products we may market, but we cannot be sure that the FDA or other regulatory agencies will agree that we have not violated their restrictions. As a result, we may be subject to criminal and civil liability. In addition, our management's attention could be diverted to handle any such alleged violations. A significant number of pharmaceutical companies have been the target of inquiries and investigations by various U.S. federal and state regulatory, investigative, prosecutorial and administrative entities in connection with the promotion of products for unapproved uses and other sales practices, including the Department of Justice, or DOJ, and various U.S. Attorneys' Offices, the HHS Office of Inspector General, the FDA, the Federal Trade Commission and various state Attorneys General offices. These investigations have alleged violations of various U.S. federal and state laws and regulations, including claims asserting antitrust violations, violations of the FDCA, the civil False Claims Act, the Prescription Drug Marketing Act, anti-kickback laws, and other alleged violations in connection with the promotion of products for unapproved uses, pricing and Medicare and/or Medicaid reimbursement. If the FDA, DOJ, or any other governmental agency initiates an enforcement action against us, including as a result of the civil investigative demand mentioned below, or if we are the subject of a qui tam suit and it is determined that we violated prohibitions relating to the promotion of products for unapproved uses, we could be subject to substantial civil or criminal fines or damage awards and other sanctions such as consent decrees and corporate integrity agreements pursuant to which our activities would be subject to ongoing scrutiny and monitoring to ensure compliance with applicable laws and regulations. Any such fines, awards or other sanctions would have an adverse effect on our revenue, business, financial prospects, and reputation. In September 2018, we received a civil investigative demand, or CID, from the DOJ pursuant to the Federal False Claims Act requesting certain documents and information related to our sales and marketing of NUPLAZID. We are cooperating with the DOJ's request. Responding to the CID will require considerable resources and no assurance can be given as to the timing or outcome of the DOJ's investigation.

We expect our net losses to continue for at least the next few years and are unable to predict the extent of future losses or when we will become profitable, if ever.

We have experienced significant net losses since our inception. As of December 31, 2018, we had an accumulated deficit of approximately $1.5 billion. We expect to incur net losses over the next few years as we invest in the commercialization of NUPLAZID and advance our development programs.

Even though we began commercializing NUPLAZID in the United States in May 2016, we still expect to incur significant expenses and net losses for at least the next few years as we continue our commercialization efforts for NUPLAZID and pursue the further development of NUPLAZID and our product candidates. Substantially all of our revenues since May 2016 were from net product sales of NUPLAZID.

We expect that our near-term revenues will be substantially dependent on our ability to generate net product sales of NUPLAZID. To the extent that we cannot generate significant revenues from the sale of NUPLAZID to cover our expenses, including the significant expenses associated with commercializing NUPLAZID and continuing to develop pimavanserin in additional indications, we may never achieve profitability and/or may have to reduce our commercialization and/or research and development activities to become profitable, which would harm our future growth prospects. Additionally, to obtain revenues from product candidates other than NUPLAZID, we must succeed, either alone or with others, in developing, obtaining regulatory approval for, manufacturing and marketing compounds with significant market potential. We may never succeed in these activities and may never generate revenues from our commercialization of NUPLAZID, or from other product candidates that may be approved, that are significant enough to achieve profitability.

If we fail to obtain the capital necessary to fund our operations, we will be unable to successfully continue the development and commercialization of NUPLAZID or successfully develop and commercialize our product candidates.

We have consumed substantial amounts of capital since our inception. Our cash, cash equivalents, and investment securities totaled $473.5 million at December 31, 2018. While we believe that our existing cash resources will be sufficient to fund our cash requirements through at least the next twelve months, we may require significant additional financing in the future to continue to fund our operations. Our future capital requirements will depend on, and could increase significantly as a result of, many factors including:

- the progress in, and the costs of, our ongoing and planned development activities for pimavanserin, post-marketing studies for NUPLAZID to be conducted over the next several years, ongoing and planned commercial activities for NUPLAZID, and other research and development programs;
- the costs of our planned development activities for Trofinetide
- the costs of maintaining and developing our sales and marketing capabilities for NUPLAZID;
- the costs of establishing, or contracting for, sales and marketing capabilities for other product candidates;
- the amount of U.S. product sales from NUPLAZID;
- the costs of preparing applications for regulatory approvals for NUPLAZID in jurisdictions other than the United States, and potentially in additional indications other than in PD Psychosis, and for other product candidates, as well as the costs required to support review of such applications;
- the costs of manufacturing and distributing NUPLAZID for commercial use in the United States;
- our ability to obtain regulatory approval for, and subsequently generate product sales from, NUPLAZID in jurisdictions other than the United States or in additional indications other than in PD Psychosis, or from other product candidates;
- the costs of acquiring additional product candidates or research and development programs;
- the scope, prioritization and number of our research and development programs;
- the ability of our collaborators and us to reach the milestones and other events or developments triggering payments under our collaboration or license agreements, or our collaborators' ability to make payments under these agreements;
- our ability to enter into new collaboration and license agreements;
- the extent to which we are obligated to reimburse collaborators or collaborators are obligated to reimburse us for costs under collaboration agreements;
- the costs involved in filing, prosecuting, enforcing, and defending patent claims and other intellectual property rights;
- the costs of maintaining or securing manufacturing arrangements and supply for clinical or commercial production of pimavanserin or other product candidates; and
- the costs associated with litigation, including the costs incurred in defending against any product liability claims that may be brought against us related to NUPLAZID.

Unless and until we can generate significant cash from our operations, we expect to satisfy our future cash needs through our existing cash, cash equivalents and investment securities, strategic collaborations, public or private sales of our securities, debt

financings, grant funding, or by licensing all or a portion of our product candidates or technology. In the past, periods of turmoil and volatility in the financial markets have adversely affected the market capitalizations of many biotechnology companies, and generally made equity and debt financing more difficult to obtain. These events, coupled with other factors, may limit our access to additional financing in the future. This could have a material adverse effect on our ability to access sufficient funding. We cannot be certain that additional funding will be available to us on acceptable terms, or at all. If funds are not available, we will be required to delay, reduce the scope of, or eliminate one or more of our research or development programs or our commercialization efforts. We also may be required to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose. Additional funding, if obtained, may significantly dilute existing stockholders and could negatively impact the price of our stock.

Changes in funding for the FDA and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new products from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal functions on which the operation of our business may rely, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept payment of user fees, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other government agencies on which our operations may rely, including those that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including beginning on December 22, 2018 and ending on January 25, 2019, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical government employees and stop critical activities. If repeated or prolonged government shutdowns occur, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, and negatively impact other government operations on which we rely, which could have a material adverse effect on our business.

The pivotal Phase 3 study with NUPLAZID for PD Psychosis, the results of which were announced in November 2012, was our first successful pivotal Phase 3 trial and there is no guarantee that future studies with pimavanserin will be successful.

The historical rate of failures for product candidates in clinical development is extremely high. In November 2012, we announced results from the -020 Study. Additionally, in December 2016, we announced positive top-line results from our Phase 2 exploratory study of pimavanserin in patients with AD Psychosis. Even though we successfully completed this Phase 2 exploratory study, or the -019 Study, and the -020 Study, those results may not be predictive of the results of any additional studies that we are currently undertaking or may undertake in the future with pimavanserin, including the post-marketing studies we committed to conduct in connection with FDA approval of NUPLAZID and the ongoing studies of pimavanserin in various indications. We believe that pimavanserin also may have utility in indications other than in PD Psychosis, such as in dementia-related psychosis, schizophrenia, and depression. However, prior to the efficacy study that we initiated in the fourth quarter of 2017, we had never tested pimavanserin in clinical studies where the primary outcome was for the broad indication of dementia-related psychosis, and prior to the study in major depressive disorder, or CLARITY, for which we announced positive top-line results in October 2018, we had never tested pimavanserin in clinical studies in depression. Additionally, prior to the studies in schizophrenia that we initiated in the fourth quarter of 2016, we had only conducted a Phase 2 trial for pimavanserin as a co-therapy treatment in schizophrenia. There is no guarantee that we will have the same level of success with pimavanserin in other indications that we had with the -020 Study, or that we will have the same level of success with pimavanserin in dementia-related psychosis or in other indications that we had with the -019 Study and CLARITY. Further, there is no guarantee that we will be successful at all in ongoing or future studies for additional indications or in our post-marketing studies, or that future results of studies of NUPLAZID for treatment in PD Psychosis or for other indications, including dementia-related psychosis, will be consistent with those from the -019 Study or -020 Study.

If we do not successfully complete additional development of NUPLAZID, we will be unable to market and sell NUPLAZID or products derived from it for indications other than the treatment of hallucinations and delusions associated with PD Psychosis, or to generate related product revenues.

We do not have a partner for the development of pimavanserin, and are solely responsible for the advancement of this program and commercialization of the product.

We have full responsibility for the pimavanserin program throughout the world. We expect our research and development costs for continued development of pimavanserin to be substantial. While we currently are undertaking the ongoing development work for pimavanserin, including clinical trials of pimavanserin for indications other than in PD Psychosis, in the future we would need to add resources and raise additional funds in order to take this product candidate to market for indications other than in PD Psychosis or in jurisdictions outside the United States, and to conduct the necessary sales and marketing activities, and to conduct further development activities, if we do not secure a partner. Our current strategy is to commercialize NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis in the United States using our specialty sales force focused primarily on neurologists, a small group of psychiatrists, and pharmacists and physicians in long-term care facilities who treat PD Psychosis patients. In addition, if we are approved to commercialize NUPLAZID in markets outside of the United States, we will more than likely need to establish one or more strategic alliances in the future for that purpose. Without future collaboration partners in the United States and abroad, we might not be able to realize the full value of NUPLAZID.

We conducted, and continue to revisit, our life-cycle planning project for pimavanserin that was initiated in 2015 and through which we have formulated a multi-year plan to develop pimavanserin in additional indications other than in PD Psychosis, including in dementia-related psychosis, schizophrenia and depression, as described above. Given the unique profile of pimavanserin, together with the list of potential indications we could pursue, this has been a substantial and important undertaking. Our life-cycle planning process will be ongoing as we evaluate appropriate indications for pimavanserin to pursue as we seek to maximize the opportunities for this compound. If our life-cycle planning and execution is not conducted successfully, then we may not realize the full value from pimavanserin or may devote substantial resources to develop pimavanserin for indications that are ultimately not successful or do not yield adequate returns. Furthermore, even though NUPLAZID is approved for the treatment of hallucinations and delusions associated with PD Psychosis, a failure in a subsequent study for another indication, including our ongoing studies in dementia-related psychosis, schizophrenia and depression, or a failure in our post-marketing studies could harm our ability to successfully market NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis or could lead to it being withdrawn from the market. If we are unable to develop pimavanserin for other indications, we may not be able to maximize the potential of the compound and that could have a material adverse effect on our future revenues and our success as a company.

Pimavanserin is currently in development for several additional indications other than in PD Psychosis, and we are initiating the development of trofinetide for Rett syndrome. Drug development is a long, expensive and unpredictable process with a high risk of failure.

Preclinical testing and clinical trials are long, expensive and unpredictable processes that can be subject to delays. It may take several years to complete the preclinical testing and clinical development necessary to commercialize a drug, and delays or failure can occur at any stage. Interim results of clinical trials do not necessarily predict final results, and success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials even after promising results in earlier trials.

Our drug development programs are at various stages of development and the historical rate of failures for product candidates is extremely high. In fact, we had an unsuccessful Phase 3 trial with NUPLAZID in 2009. An unfavorable outcome in any of our ongoing or future development efforts or in the post-marketing studies for NUPLAZID could be a major set-back for the program and for us, generally. In particular, an unfavorable outcome in our NUPLAZID program or in the post-marketing studies may require us to delay, devote additional substantial resources to, reduce the scope of, or eliminate this program and could have a material adverse effect on us and the value of our common stock. In the fourth quarter of 2017, we initiated a Phase 3 study of pimavanserin in patients with dementia-related psychosis, and in the fourth quarter of 2016 we initiated both a Phase 2 and a Phase 3 study of pimavanserin as an adjunctive treatment in patients with schizophrenia. In October 2018, we announced positive top-line results from CLARITY, a Phase 2 study evaluating pimavanserin as an adjunctive treatment for major depressive disorder and we plan to initiate a Phase 3 program in the first half of 2019. We may plan and conduct additional studies in other indications in the future, and plan to initiate a Phase 3 study of trofinetide in Rett syndrome in the second half of 2019.

In connection with clinical trials, we face risks that:

- a product candidate may not prove to be efficacious or safe;
- patients may die or suffer other adverse effects for reasons that may or may not be related to the product candidate being tested;
- the results may not be consistent with positive results of earlier trials; and
- the results may not meet the level of statistical significance required by the FDA or other regulatory agencies.

If we do not successfully complete preclinical and clinical development, we will be unable to market and sell products derived from our product candidates and to generate product revenues. Even if we do successfully complete clinical trials, those results are not necessarily predictive of results of additional trials that may be needed before an NDA may be submitted to the FDA. Of the large number of drugs in development, only a small percentage result in the submission of an NDA to the FDA and even fewer are approved for commercialization.

Delays, suspensions and terminations in our clinical trials could result in increased costs to us and delay our ability to generate product revenues.

The commencement of clinical trials can be delayed for a variety of reasons, including delays in:

- demonstrating sufficient safety and efficacy to obtain regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations and clinical trial sites;
- manufacturing sufficient quantities of a product candidate;
- obtaining clearance from the FDA to commence clinical trials pursuant to an Investigational New Drug application;
- obtaining institutional review board approval to conduct a clinical trial at a prospective clinical trial site; and
- patient recruitment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical trial sites, the availability of effective treatments for the relevant disease and the eligibility criteria for the clinical trial.

Once a clinical trial has begun, it may be delayed, suspended or terminated due to a number of factors, including:

- competition for internal and external resources, including clinical sites and study patients, that we may choose to allocate to other programs;
- ongoing discussions with regulatory authorities regarding the scope or design of our clinical trials or requests by them for supplemental information with respect to our clinical trial results;
- imposition of clinical holds by regulatory authorities or institutional review boards;
- failure to conduct clinical trials in accordance with regulatory requirements;
- patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical trial sites, the availability of effective treatments for the relevant disease and the eligibility criteria for the clinical trial;
- lower than anticipated screening or retention rates of patients in clinical trials;
- serious adverse events or side effects experienced by participants; and
- insufficient supply or deficient quality of product candidates or other materials necessary for the conduct of our clinical trials.

Many of these factors may also ultimately lead to denial of regulatory approval of a current or potential product candidate. If we experience delays, suspensions or terminations in a clinical trial, the commercial prospects for the related product candidate will be harmed, and our ability to generate product revenues will be delayed.

We previously have depended, and in the future may depend, on collaborations with third parties to develop and commercialize selected product candidates other than pimavanserin, and we have limited control over how those third parties conduct development and commercialization activities for such product candidates.

In the past, we have selectively entered into collaboration agreements with third parties. We relied on our collaborators for financial resources and for development, regulatory, and commercialization expertise for selected product candidates and we had limited control over the amount and timing of resources that our collaborators devoted to our product candidates. We may choose to rely on collaborations in the future for certain portions of our pimavanserin program or other product candidates, or for the commercialization of NUPLAZID in certain territories outside of the United States.

Our collaborators may fail to develop or effectively commercialize products using our product candidates or technologies because they:

- do not have sufficient resources or decide not to devote the necessary resources due to internal constraints such as limited cash or human resources or a change in strategic focus;
- decide to pursue a competitive product developed outside of the collaboration; or
- cannot obtain the necessary regulatory approvals.

We also face competition in our search for new collaborators, if we seek a new partner for our pimavanserin program or other programs. Given the current economic and industry environment, it is possible that competition for new collaborators may increase. If we are unable to find new collaborations, we may not be able to continue advancing our programs alone.

If conflicts arise with our collaborators, they may act in their self-interests, which may be adverse to our interests.

Conflicts may arise in our collaborations due to one or more of the following:

- disputes or breaches with respect to payments that we believe are due under the applicable agreements, particularly in the current environment when companies, including large established ones, may be seeking to reduce external payments;
- disputes on strategy as to what development or commercialization activities should be pursued under the applicable agreements;
- disputes as to the responsibility for conducting development and commercialization activities pursuant to the applicable collaboration, including the payment of costs related thereto;
- disagreements with respect to ownership of intellectual property rights;
- unwillingness on the part of a collaborator to keep us informed regarding the progress of its development and commercialization activities, or to permit public disclosure of these activities;
- delay or reduction of a collaborator’s development or commercialization efforts with respect to our product candidates; or
- termination or non-renewal of the collaboration.

Conflicts arising with our collaborators could impair the progress of our product candidates, harm our reputation, result in a loss of revenues, reduce our cash position, and cause a decline in our stock price.

In addition, in our past collaborations, we generally have agreed not to conduct independently, or with any third party, any research that is directly competitive with the research conducted under the applicable program. Any collaborations we establish in the future may have the effect of limiting the areas of research that we may pursue, either alone or with others. Conversely, the terms of any collaboration we may establish in the future might not restrict our collaborators from developing, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations. Competing products, either developed by our collaborators or to which our collaborators have rights, may result in the allocation of resources by our collaborators to competing products and their withdrawal of support for our product candidates or may otherwise result in lower demand for our potential products.

We rely on third parties to conduct our clinical trials and perform data collection and analysis, which may result in costs and delays that prevent us from successfully commercializing product candidates.

Although we design and manage our current preclinical studies and clinical trials, we currently do not have the ability to conduct clinical trials for our product candidates on our own. We rely on contract research organizations, medical institutions, clinical investigators, and contract laboratories to perform data collection and analysis and other aspects of our clinical trials. In addition, we also rely on third parties to assist with our preclinical studies, including studies regarding biological activity, safety, absorption, metabolism, and excretion of product candidates.

Our preclinical activities or clinical trials may be delayed, suspended, or terminated if:

- these third parties do not successfully carry out their contractual duties or fail to meet regulatory obligations or expected deadlines;
- these third parties need to be replaced; or
- the quality or accuracy of the data obtained by these third parties is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons.

Failure to perform by these third parties may increase our development costs, delay our ability to obtain regulatory approval, and delay or prevent the commercialization of our product candidates. We currently use several contract research organizations to perform services for our preclinical studies and clinical trials. While we believe that there are numerous alternative sources to provide these services, in the event that we seek such alternative sources, we may not be able to enter into replacement arrangements without delays or additional expenditures.

Even if we or our collaborators successfully complete the clinical trials of product candidates, the product candidates may fail for other reasons.

Of the large number of product candidates in development, only a small percentage result in the submission of an NDA to the FDA or comparable regulatory filing to regulatory authorities in other jurisdictions, and even fewer are approved for marketing. We cannot assure you that, even if clinical trials are completed, either we or our collaborators will submit applications for required authorizations to manufacture and/or market potential products or that any such application will be reviewed and approved by the appropriate regulatory authorities in a timely manner, if at all. Even if we or our collaborators successfully complete the clinical trials of product candidates and apply for such required authorizations, the product candidates, such as pimavanserin, may fail for other reasons, including the possibility that the product candidates will:

- fail to receive the regulatory clearances required to market them as drugs;
- be subject to proprietary rights held by others requiring the negotiation of a license agreement prior to marketing;
- be difficult or expensive to manufacture on a commercial scale;
- have adverse side effects that make their use less desirable; or
- fail to compete with product candidates or other treatments commercialized by competitors.

We currently depend, and in the future will continue to depend, on third parties to manufacture NUPLAZID and our product candidates. If these manufacturers fail to provide us or our collaborators with adequate supplies of clinical trial materials and commercial product or fail to comply with the requirements of regulatory authorities, we may be unable to develop or commercialize NUPLAZID or our product candidates.

We have no manufacturing facilities and only limited experience as an organization in the manufacturing of drugs or in designing drug-manufacturing processes. We have contracted with third-party manufacturers to produce, in collaboration with us, NUPLAZID and our product candidates.

We have contracted with Patheon Pharmaceuticals Inc. and Catalent Pharma Solutions, LLC to manufacture NUPLAZID drug product for commercial use in the United States. Additionally, we have contracted with Siegfried AG to manufacture active pharmaceutical ingredient, or API, to be used in the manufacture of NUPLAZID drug product for commercial use. However, we have not entered into any agreements with any alternate suppliers for NUPLAZID drug product or NUPLAZID API. Even if we are able to enter into other long-term agreements with manufacturers for commercial supply on reasonable terms, we may face delays or increased costs in our supply chain that could jeopardize the commercialization of NUPLAZID. Additionally, if any of our product candidates in addition to NUPLAZID are approved by the FDA or other regulatory agencies for commercial sale, or if NUPLAZID is approved for commercial sale in jurisdictions outside the United States, we will need to contract with a third party to manufacture such products for commercial sale in the United States and/or in such other jurisdictions.

Even though we have agreements with Patheon and Catalent for the manufacture of NUPLAZID drug product and with Siegfried for the manufacture of NUPLAZID API for commercial use, and even if we successfully enter into long-term agreements with other manufacturers, the FDA may not approve the facilities of such manufacturers, the manufacturers may not perform as agreed, or the manufacturers may terminate their agreements with us. Presently, we only have one supplier of API and one supplier for each form of drug product (tablet and capsule) for our NUPLAZID (pimavanserin) program. If any of the foregoing circumstances occur, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, maintain or

obtain, as applicable, regulatory approval for or market NUPLAZID or any of our product candidates. While we believe that there will be alternative sources available to manufacture NUPLAZID and our product candidates, in the event that we seek such alternative sources, we may not be able to enter into replacement arrangements without delays or additional expenditures. We cannot estimate these delays or costs with certainty but, if they were to occur, they could cause a delay in our development and commercialization efforts.

The manufacturers of NUPLAZID and our product candidates, including Catalent, Patheon and Siegfried, are obliged to operate in accordance with FDA-mandated current good manufacturing practices, or cGMPs, and we have limited control over the ability of third-party manufacturers to maintain adequate quality control, quality assurance and qualified personnel to ensure compliance with cGMPs. In addition, the facilities used by our third-party manufacturers to manufacture NUPLAZID and our product candidates must be approved by the FDA pursuant to inspections that will be conducted prior to any grant of regulatory approval by the FDA. If any of our third-party manufacturers are unable to successfully manufacture material that conforms to our specifications and the FDA's strict regulatory requirements, or pass regulatory inspection, they will not be able to secure or maintain approval for the manufacturing facilities. Additionally, a failure by any of our third-party manufacturers to establish and follow cGMPs or to document their adherence to such practices may lead to significant delays in clinical trials or in obtaining regulatory approval of product candidates, or result in issues maintaining regulatory approval of NUPLAZID and any other product candidate that receives regulatory approval, negatively impact our commercialization of NUPLAZID, or lead to significant delays in the launch and commercialization of any other products we may have in the future. Failure by our third-party manufacturers or us to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of the government to grant pre-market approval of drugs, delays, suspension or withdrawal of approvals, seizures or recalls of products, operating restrictions, and criminal prosecutions.

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, shortages of qualified personnel, as well as compliance with strictly-enforced federal, state and foreign regulations. We cannot assure you that any issues relating to the manufacture of NUPLAZID or our product candidates will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to commercialize NUPLAZID in the United States, or provide any product candidates to patients in clinical trials, would be jeopardized. Any delay or interruption in our ability to meet commercial demand for NUPLAZID and any other approved products will result in the loss of potential revenues and could adversely affect our ability to gain market acceptance for these products. In addition, any delay or interruption in the supply of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to commence new clinical trials at additional expense or terminate clinical trials completely.

Failures or difficulties faced at any level of our supply chain could materially adversely affect our business and delay or impede the development and commercialization of NUPLAZID or our product candidates and could have a material adverse effect on our business, results of operations, financial condition and prospects.

If we are unable to attract, retain, and motivate key management, research and development, and sales and marketing personnel, our drug development programs, our research and discovery efforts, and our commercialization plans may be delayed and we may be unable to successfully commercialize our products, including NUPLAZID, or develop our product candidates, including pimavanserin for indications beyond PD Psychosis.

Our success depends on our ability to attract, retain, and motivate highly qualified management, scientific, and commercial personnel. In particular, our development programs depend on our ability to attract and retain highly skilled development personnel, especially in the fields of central nervous system disorders, including neuropsychiatric and related disorders. We are currently hiring, and in the future we expect to need to continue to hire, additional personnel as we expand our research and development efforts for pimavanserin and commercial activities for NUPLAZID. We face competition for experienced scientists, clinical operations personnel, commercial and other personnel from numerous companies and academic and other research institutions. Competition for qualified personnel is particularly intense in the San Diego, California area. Many of the other biotechnology and pharmaceutical companies with whom we compete for qualified personnel have greater financial and other resources, different risk profiles and longer histories in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high quality candidates than that which we have to offer. If we are unable to continue to attract and retain high quality personnel, the rate and success at which we can develop and commercialize products and product candidates will be limited. If we are unable to attract and retain the necessary personnel, it will significantly impede our commercialization efforts for NUPLAZID and the achievement of our research and development objectives.

All of our employees are “at will” employees, which means that any employee may quit at any time and we may terminate any employee at any time. We do not carry “key person” insurance covering members of senior management.

We have recently increased the size of our organization, and will need to continue to increase the size of our organization. We may encounter difficulties with managing our growth, which could adversely affect our results of operations.

As of December 31, 2018, we employed approximately 430 employees. Although we have already added several capabilities, we will need to add additional qualified personnel and resources. Our current infrastructure may be inadequate to support our development and commercialization efforts and expected growth. Future growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, and integrate additional employees, and may take time away from running other aspects of our business, including development and commercialization of our product candidates.

Our future financial performance and our ability to commercialize NUPLAZID and any other product candidates that receive regulatory approval and to compete effectively will depend, in part, on our ability to manage any future growth effectively. In particular, as we commercialize NUPLAZID, we will need to support the training and ongoing activities of our sales force and expect to need to expand the size of our employee base for managerial, operational, financial, and other resources. To that end, we must be able to:

- manage our development efforts effectively;
- integrate additional management, administrative and manufacturing personnel;
- develop our marketing and sales organization; and
- maintain sufficient administrative, accounting and management information systems and controls.

We may not be able to accomplish these tasks or successfully manage our operations and, accordingly, may not achieve our research, development, and commercialization goals. Our failure to accomplish any of these goals could harm our financial results and prospects.

If we fail to develop, acquire or in-license other product candidates or products, our business and prospects would be limited. Even if we obtain rights to other product candidates or products, we will incur a variety of costs and may never realize the anticipated benefits.

A key element of our strategy is to develop, acquire or in-license businesses, technologies, product candidates or products that we believe are a strategic fit with our business. The success of this strategy depends in large part on the combination of our regulatory, development and commercial capabilities and expertise and our ability to identify, select and acquire or in-license clinically-enabled product candidates for the treatment of neurological disorders, or for therapeutic indications that complement or augment our current product candidates, or that otherwise fit into our development or strategic plans on terms that are acceptable to us. Identifying, selecting and acquiring or in-licensing promising product candidates requires substantial technical, financial and human resources expertise, and we have limited experience in identifying acquisition targets, successfully completing proposed acquisitions and integrating any acquired businesses, technologies, services or products into our current infrastructure. Efforts to do so may not result in the actual acquisition or in-license of a particular product candidate, potentially resulting in a diversion of our management’s time and the expenditure of our resources with no resulting benefit. If we are unable to identify, select and acquire or license suitable product candidates from third parties on terms acceptable to us, our business and prospects will be limited. In particular, if we are unable to add additional commercial products to our portfolio, we may not be able to successfully leverage our commercial organization that we have assembled for the marketing and sale of NUPLAZID.

The process of integrating any acquired business, technology, service, or product may result in unforeseen operating difficulties and expenditures and may divert significant management attention from our ongoing business operations. As a result, we will incur a variety of costs in connection with an acquisition and may never realize its anticipated benefits. Moreover, any product candidate we identify, select and acquire or license may require additional, time-consuming development or regulatory efforts prior to commercial sale, including preclinical studies, if applicable, and extensive clinical testing and approval by the FDA and applicable foreign regulatory authorities. All product candidates are prone to the risk of failure that is inherent in pharmaceutical product development, including the possibility that the product candidate will not be shown to be sufficiently safe and/or effective for approval by regulatory authorities. In addition, we cannot assure you that any such products that are approved will be manufactured or produced economically, successfully commercialized or widely accepted in the marketplace or be more effective or desired than other commercially available alternatives.

In addition, if we fail to successfully commercialize and further develop NUPLAZID or our product candidates, there is a greater likelihood that we will fail to successfully develop a pipeline of other product candidates, and our business and prospects would therefore be harmed.

If we fail to comply with the obligations in agreements under which we license intellectual property rights from third parties, we could lose license rights to certain of our product candidates.

In August 2018, we entered into a license agreement with Neuren Pharmaceuticals Limited, or Neuren, and obtained exclusive North American rights to develop and commercialize trofinetide for Rett syndrome and other indications, and we may enter into additional license agreements in the future.

Our agreement with Neuren imposes, and we expect that future agreements where we in-license intellectual property will impose, various development, regulatory and/or commercial diligence obligations, payment of milestones and/or royalties and other obligations. If we fail to comply with our obligations under these agreements, or we are subject to bankruptcy-related proceedings, the licensor may have the right to terminate the license, in which event we would not be able to market products covered by the license.

Disputes may arise between us and our licensors regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patents and other rights to third parties;
- our diligence obligations with respect to the use of the licensed technology in relation to our development and commercialization of our product candidates, and what activities satisfy those diligence obligations;
- our right to transfer or assign the license; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners.

If disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may not be able to successfully develop and commercialize the related product candidates, which would have a material adverse effect on our business.

We expect that our results of operations will fluctuate, which may make it difficult to predict our future performance from period to period.

Our operating results have fluctuated in the past and are likely to do so in future periods. Some of the factors that could cause our operating results to fluctuate from period to period include:

- the success of our commercialization of NUPLAZID in the United States for the treatment of hallucinations and delusions associated with PD Psychosis;
- the status and cost of our post-marketing commitments for NUPLAZID;
- the variation in our gross-to-net adjustments from quarter to quarter, primarily because of the fluctuation in our share of the donut hole for Medicare Part D patients;
- the status and cost of development and commercialization of pimavanserin for indications other than in PD Psychosis and in jurisdictions other than the United States;
- the status and cost of development and commercialization of our product candidates, including compounds being developed under our collaborations;
- whether we acquire or in-license additional product candidates or products, and the status of development and commercialization of such product candidates or products;
- whether we generate revenues or reimbursements by achieving specified research, development or commercialization milestones under any agreements or otherwise receive potential payments under these agreements;

- whether we are required to make payments due to achieving specified milestones under any licensing or similar agreements or otherwise make payments under these agreements;
- the incurrence of preclinical or clinical expenses that could fluctuate significantly from period to period, including reimbursement obligations pursuant to our collaboration agreements;
- the initiation, termination, or reduction in the scope of our collaborations or any disputes regarding these collaborations;
- the timing of our satisfaction of applicable regulatory requirements;
- the rate of expansion of our clinical development, other internal research and development efforts, and pre-commercial and commercial efforts;
- the effect of competing technologies and products and market developments;
- the costs associated with litigation, including the costs incurred in defending against any product liability claims that may be brought against us related to NUPLAZID; and
- general and industry-specific economic conditions.

We believe that comparisons from period to period of our financial results are not necessarily meaningful and should not be relied upon as indications of our future performance.

U.S. federal income tax reform could adversely affect our business and financial condition.

On December 22, 2017, U.S. federal income tax legislation was signed into law (H.R. 1, "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018", informally titled the Tax Cuts and Jobs Act, or the 2017 Tax Act), which significantly revised the Internal Revenue Code of 1986, as amended, or the Code. The 2017 Tax Act, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35 percent to a flat rate of 21 percent repeal of the alternative minimum tax for corporations, limitation of the tax deduction for interest expense to 30 percent of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80 percent of current-year taxable income and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits (including reducing the business tax credit for certain clinical testing expenses incurred in the testing of certain drugs for rare diseases or conditions). Notwithstanding the reduction in the corporate income tax rate, the overall impact of the 2017 Tax Act is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the 2017 Tax Act.

Our ability to use net operating losses to offset future taxable income may be subject to limitations.

As of December 31, 2018, we had federal, state and foreign net operating loss carryforwards of $393.0 million, $339.0 million and $771.9 million, respectively. The majority of our net operating loss carryforwards will begin to expire, if not utilized, beginning in 2023. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities. Under the 2017 Tax Act, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain if and to what extent various states will conform to the 2017 Tax Act. In addition, under Section 382 of the Code and corresponding provisions of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50 percent change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. We have experienced ownership changes in the past and we may experience additional ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If an ownership change occurs and our ability to use our net operating loss carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

Changes to U.S. and non-U.S. tax laws could materially adversely affect us.

During 2015, we licensed worldwide intellectual property rights related to pimavanserin in certain indications to ACADIA Pharmaceuticals GmbH, our wholly-owned Swiss subsidiary. Our goals for the establishment of ACADIA Pharmaceuticals GmbH, and the licensing of worldwide intellectual property rights for pimavanserin, include building a platform for long-term operational and financial efficiencies, including tax-related efficiencies. Future changes in U.S. and non-U.S. tax laws, including implementation of international tax reform relating to the tax treatment of multinational corporations, if enacted, may reduce or eliminate any potential financial efficiencies that we hope to achieve by establishing this operational structure. Additionally, taxing authorities, such as the

U.S. Internal Revenue Service, may audit and otherwise challenge these types of arrangements, and have done so with other companies in the pharmaceutical industry. If any such changes in tax law are enacted, or our licensing of worldwide intellectual property rights for pimavanserin to our Swiss subsidiary is otherwise challenged, this could materially adversely affect our business.

We may not be able to continue or fully exploit our collaborations with outside scientific and clinical advisors, which could impair the progress of our clinical trials and our research and development efforts.

We work with scientific and clinical advisors at academic and other institutions who are experts in the field of central nervous system disorders. They assist us in our research and development efforts and advise us with respect to our clinical trials. These advisors are not our employees and may have other commitments that would limit their future availability to us. Although our scientific and clinical advisors generally agree not to engage in competing work, if a conflict of interest arises between their work for us and their work for another entity, we may lose their services, which may impair our reputation in the industry and delay the development or commercialization of our product candidates.

Our management has broad discretion over the use of our cash and we may not use our cash effectively, which could adversely affect our results of operations.

Our management has significant flexibility in applying our cash resources and could use these resources for corporate purposes that do not increase our market value, or in ways with which our stockholders may not agree. We may use our cash resources for corporate purposes that do not yield a significant return or any return at all for our stockholders, which may cause our stock price to decline.

We have incurred, and expect to continue to incur, significant costs as a result of laws and regulations relating to corporate governance and other matters.

Laws and regulations affecting public companies, including provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that was enacted in July 2010, the provisions of the Sarbanes-Oxley Act of 2002, or SOX, and rules adopted or proposed by the SEC and by The Nasdaq Stock Market, have resulted in, and will continue to result in, significant costs to us as we evaluate the implications of these rules and respond to their requirements. In the future, if we are not able to issue an evaluation of our internal control over financial reporting, as required, or we or our independent registered public accounting firm determine that our internal control over financial reporting is not effective, this shortcoming could have an adverse effect on our business and financial results and the price of our common stock could be negatively affected. New rules could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the coverage that is the same or similar to our current coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors and board committees, and as our executive officers. We cannot predict or estimate the total amount of the costs we may incur or the timing of such costs to comply with these rules and regulations.

Changes or modifications in financial accounting standards, including those related to revenue recognition, may harm our results of operations.

From time to time, the Financial Accounting Standards Board, or FASB, either alone or jointly with other organizations, promulgates new accounting principles that could have an adverse impact on our financial position, results of operations or reported cash flows. In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires a lessee to recognize a lease liability and a right-of-use asset for all leases with lease terms of more than 12 months. We adopted this new standard for the year beginning January 1, 2019 and have elected to apply the new standard using the modified retrospective method using the effective date as the date of initial application. We expect adoption of this standards to have a material effect on our consolidated balance sheets and any difficulties in implementing this standard, or in adopting or implementing any other new accounting standard, and to update or modify our internal controls as needed on a timely basis, could result in our failure to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us. Finally, if we were to change our critical accounting estimates, including those related to the recognition of product or collaboration revenue, our operating results could be significantly affected.

Earthquake or fire damage to our facilities could delay our research and development efforts and adversely affect our business.

Our headquarters and research and development facilities in San Diego are located in a seismic zone, and there is the possibility of an earthquake, which could be disruptive to our operations and result in delays in our research and development efforts. In addition, while our facilities have not been adversely impacted by local wildfires, there is the possibility of future fires in the area. In the event of an earthquake or fire, if our facilities or the equipment in our facilities is significantly damaged or destroyed for any reason, we may

not be able to rebuild or relocate our facilities or replace any damaged equipment in a timely manner and our business, financial condition, and results of operations could be materially and adversely affected. We do not have insurance for damages resulting from earthquakes. While we do have fire insurance for our property and equipment located in San Diego, any damage sustained in a fire could cause a delay in our research and development efforts and our results of operations could be materially and adversely affected.

Risks Related to Our Intellectual Property

Our ability to compete may decline if we do not adequately protect our proprietary rights.

Our commercial success depends on obtaining and maintaining intellectual property rights to our products and product candidates, including NUPLAZID, and technologies, as well as successfully defending these rights against third-party challenges. Any misappropriation of our intellectual property could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market. To protect our intellectual property, we rely on a combination of patents, trade secret protection and contracts requiring confidentiality and nondisclosure.

With regard to patents, although we have filed numerous patent applications worldwide with respect to pimavanserin, not all of our patent applications resulted in an issued patent, or they resulted in an issued patent that is susceptible to challenge by a third party. Our ability to obtain, maintain, and/or defend our patents covering our product candidates and technologies is uncertain due to a number of factors, including:

- we may not have been the first to make the inventions covered by our pending patent applications or issued patents;
- we may not have been the first to file patent applications for our product candidates or the technologies we rely upon;
- others may develop similar or alternative technologies or design around our patent claims to produce competitive products that fall outside of the scope of our patents;
- our disclosures in patent applications may not be sufficient to meet the statutory requirements for patentability;
- we may not seek or obtain patent protection in all countries that will eventually provide a significant business opportunity;
- any patents issued to us or our collaborators may not provide a basis for commercially viable products, may not provide us with any competitive advantages, or are easily susceptible to challenges by third parties;
- our proprietary technologies may not be patentable;
- changes to patent laws that limit the exclusivity rights of patent holders or make it easier to render a patent invalid;
- recent decisions by the United States Supreme Court limiting patent-eligible subject matter;
- the passage of The Leahy-Smith America Invents Act, or the America Invents Act, introduced new procedures for challenging pending patent applications and issued patents; and
- technology that we may in-license may become important to some aspects of our business, however, we generally would not control the patent prosecution, maintenance or enforcement of any such in-licensed technology.

Even if we have or obtain patents covering our product candidates or technologies, we may still be barred from making, using and selling our product candidates or technologies because of the patent rights of others. Others have or may have filed, and in the future are likely to file, patent applications covering compounds, assays, genes, gene products or therapeutic products that are similar or identical to ours. There are many issued U.S. and foreign patents relating to genes, nucleic acids, polypeptides, chemical compounds or therapeutic products, and some of these may encompass reagents utilized in the identification of candidate drug compounds or compounds that we desire to commercialize. Numerous U.S. and foreign issued patents and pending patent applications owned by others exist in the area of central nervous system disorders and the other fields in which we are developing products. These could materially affect our freedom to operate. Moreover, because patent applications can take many years to issue, there may be currently pending applications, unknown to us, that may later result in issued patents that our product candidates or technologies may infringe. These patent applications may have priority over patent applications filed by us.

We regularly conduct searches to identify patents or patent applications that may prevent us from obtaining patent protection for our proprietary compounds or that could limit the rights we have claimed in our patents and patent applications. Disputes may arise regarding the ownership or inventorship of our inventions. For applications in which all claims are entitled to a priority date before March 16, 2013, an interference proceeding can be provoked by a third-party or instituted by the United States Patent and Trademark Office, or United States PTO, to determine who was the first to invent the invention at issue. It is difficult to determine how such disputes would be resolved. Applications containing a claim not entitled to priority before March 16, 2013, are not subject to

interference proceedings due the change brought by the America Invents Act to a “first-to-file” system. However, a derivation proceeding can be brought by a third-party alleging that the inventor derived the invention from another.

Periodic maintenance fees on any issued patent are due to be paid to the United States PTO and foreign patent agencies in several stages over the lifetime of the patent. The United States PTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In such an event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

Some of our academic institutional licensors, research collaborators and scientific advisors have rights to publish data and information to which we have rights. We generally seek to prevent our collaborators from disclosing scientific discoveries until we have the opportunity to file patent applications on such discoveries, but in some cases, we are limited to relatively short periods to review a proposed publication and file a patent application. If we cannot maintain the confidentiality of our technology and other confidential information in connection with our collaborations, then our ability to receive patent protection or protect our proprietary information may be impaired.

Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information and may not adequately protect our intellectual property, which could limit our ability to compete.

Because we operate in the highly technical field of drug discovery and development of small molecule drugs, we rely in part on trade secret protection in order to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We enter into confidentiality, nondisclosure, and intellectual property assignment agreements with our corporate partners, employees, consultants, outside scientific collaborators, sponsored researchers, and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us during the course of the party’s relationship with us. These agreements also generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to us. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. We also have not entered into any noncompete agreements with any of our employees. Although each of our employees is required to sign a confidentiality agreement with us at the time of hire, we cannot guarantee that the confidential nature of our proprietary information will be maintained in the course of future employment with any of our competitors. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, operating results and financial condition.

A dispute concerning the infringement or misappropriation of our proprietary rights or the proprietary rights of others could be time-consuming and costly, and an unfavorable outcome could harm our business.

There is a substantial amount of litigation involving patents and other intellectual property rights in the biotechnology and pharmaceutical industries, as well as administrative proceedings for challenging patents, including post-issuance review proceedings before the United States PTO or oppositions and other comparable proceedings in foreign jurisdictions.

Central provisions of the America Invents Act went into effect on September 16, 2012 and on March 16, 2013. The America Invents Act includes a number of significant changes to U.S. patent law. These changes include provisions that affect the way patent applications are being filed, prosecuted and litigated. For example, the America Invents Act enacted proceedings involving post-issuance patent review procedures, such as inter partes review, or IPR, and post-grant review, that allow third parties to challenge the validity of an issued patent in front of the United States PTO Patent Trial and Appeal Board. Each proceeding has different eligibility criteria and different patentability challenges that can be raised. IPRs permit any person (except a party who has been litigating the patent for more than a year) to challenge the validity of the patent on the grounds that it was anticipated or made obvious by prior art. Patents covering pharmaceutical products have been subject to attack in IPRs from generic drug companies and from hedge funds. If it is within nine months of the issuance of the challenged patent, a third party can petition the United States PTO for post-grant review, which can be based on any invalidity grounds and is not limited to prior art patents or printed publications.

In post-issuance proceedings, United States PTO rules and regulations generally tend to favor patent challengers over patent owners. For example, unlike in district court litigation, claims challenged in post-issuance proceedings are given their broadest

reasonable meaning, which increases the chance a claim might be invalidated by prior art or lack support in the patent specification. As another example, unlike in district court litigation, there is no presumption of validity for an issued patent, and thus, a challenger's burden to prove invalidity is by a preponderance of the evidence, as opposed to the heightened clear and convincing evidence standard. As a result of these rules and others, statistics released by the United States PTO show a high percentage of claims being invalidated in post-issuance proceedings. Moreover, with few exceptions, there is no standing requirement to petition the United States PTO for inter partes review or post-grant review. In other words, companies that have not been charged with infringement or that lack commercial interest in the patented subject matter can still petition the United States PTO for review of an issued patent. Thus, even where we have issued patents, our rights under those patents may be challenged and ultimately not provide us with sufficient protection against competitive products or processes.

While we are not currently subject to any pending intellectual property litigation or patent challenges, and are not aware of any such threatened litigation or patent challenges, we may be exposed to future litigation by third parties based on claims that our product candidates, technologies or activities infringe the intellectual property rights of others. In particular, there are many patents relating to specific genes, nucleic acids, polypeptides or the uses thereof to identify product candidates. Some of these may encompass genes or polypeptides that we utilize in our drug development activities. If our drug development activities are found to infringe any such patents, and such patents are held to be valid and enforceable, we may have to pay significant damages or seek licenses to such patents. A patentee could prevent us from using the patented genes or polypeptides for the identification or development of drug compounds. There are also many patents relating to chemical compounds and the uses thereof. If our compounds are found to infringe any such patents, and such patents are held to be valid and enforceable, we may have to pay significant damages or seek licenses to such patents. A patentee could prevent us from making, using or selling the patented compounds.

We may need to resort to litigation to enforce a patent issued to us, protect our trade secrets or determine the scope and validity of third-party proprietary rights. From time to time, we may hire scientific personnel formerly employed by other companies involved in one or more areas similar to the activities conducted by us. Either we or these individuals may be subject to allegations of trade secret misappropriation or other similar claims as a result of their prior affiliations. If we become involved in litigation, it could consume a substantial portion of our managerial and financial resources, regardless of whether we win or lose. We may not be able to afford the costs of litigation. Any legal action against us or our collaborators could lead to:

- payment of damages, which could potentially be trebled if we are found to have willfully infringed a party's patent rights;
- injunctive or other equitable relief that may effectively block our ability to further develop, commercialize, and sell products; or
- we or our collaborators having to enter into license arrangements that may not be available on commercially acceptable terms, or at all.

As a result, we could be prevented from commercializing current or future products.

Furthermore, because of the substantial amount of pre-trial document and witness discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the trading price of our common stock.

The patent applications of pharmaceutical and biotechnology companies involve highly complex legal and factual questions, which, if determined adversely to us, could negatively impact our patent position.

The strength of patents in the pharmaceutical and biotechnology field can be highly uncertain and involve complex legal and factual questions. For example, some of our patent applications may cover the uses of gene sequences. The patentability of gene sequences and the use of gene sequences has been seriously undermined by recent decisions of the United States Supreme Court. The United States PTO's interpretation of the Supreme Court's decisions and the standards for patentability it sets forth are uncertain and could change in the future. Consequently, the issuance and scope of patents cannot be predicted with certainty. Patents, if issued, may be challenged, invalidated or circumvented. U.S. patents and patent applications may also be subject to interference proceedings as mentioned above, and U.S. patents may be subject to reexamination and post-issuance proceedings in the United States PTO (and foreign patents may be subject to opposition or comparable proceedings in the corresponding foreign patent office), which proceedings could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. Similarly, opposition or invalidity proceedings could result in loss of rights or reduction in the scope of one or more claims of a patent in foreign jurisdictions. In addition, such interference, reexamination, post-issuance and opposition proceedings may be costly. Accordingly, rights under any issued patents may not provide us with sufficient protection against competitive products or processes.

In addition, changes in or different interpretations of patent laws in the United States and foreign countries may permit others to use our discoveries or to develop and commercialize our technology and products without providing any compensation to us or may limit the number of patents or claims we can obtain. In particular, there have been proposals to shorten the exclusivity periods available under U.S. patent law that, if adopted, could substantially harm our business. The product candidates that we are developing are protected by intellectual property rights, including patents and patent applications. If any of our product candidates becomes a marketable product, we will rely on our exclusivity under patents to sell the compound and recoup our investments in the research and development of the compound. If the exclusivity period for patents is shortened, then our ability to generate revenues without competition will be reduced and our business could be materially adversely impacted. The laws of some countries do not protect intellectual property rights to the same extent as U.S. laws and those countries may lack adequate rules and procedures for defending our intellectual property rights. For example, some countries, including many in Europe, do not grant patent claims directed to methods of treating humans and, in these countries, patent protection may not be available at all to protect our product candidates. In addition, U.S. patent laws may change which could prevent or limit us from filing patent applications or patent claims to protect our products and/or technologies or limit the exclusivity periods that are available to patent holders. For example, the America Invents Act (2012) included a number of significant changes to U.S. patent law. These included changes to transition from a “first-to-invent” system to a “first-to-file” system and to the way issued patents are challenged. These changes may favor larger and more established companies that have more resources to devote to patent application filing and prosecution. It is still not clear what, if any, impact the America Invents Act will ultimately have on the cost of prosecuting our patent applications, our ability to obtain patents based on our discoveries and our ability to enforce or defend our issued patents.

If we fail to obtain and maintain patent protection and trade secret protection of our product candidates, proprietary technologies and their uses, we could lose our competitive advantage and competition we face would increase, reducing our potential revenues and adversely affecting our ability to attain or maintain profitability.

Risks Related to Our Industry

We are subject to stringent regulation in connection with the marketing of NUPLAZID and any other products derived from our product candidates, which could delay the development and commercialization of our products.

The pharmaceutical industry is subject to stringent regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Neither we nor our collaborators can market a pharmaceutical product, including NUPLAZID, in the United States until it has completed rigorous preclinical testing and clinical trials and an extensive regulatory clearance process implemented by the FDA. Satisfaction of regulatory requirements typically takes many years, depends upon the type, complexity and novelty of the product, and requires substantial resources. Even if regulatory approval is obtained, the FDA and other regulatory agencies may impose significant restrictions on the indicated uses, conditions for use, labeling, advertising, promotion, and/or marketing of such products, and requirements for post-approval studies, including additional research and development and clinical trials. These limitations may limit the size of the market for the product or result in the incurrence of additional costs. Any delay or failure in obtaining required approvals could have a material adverse effect on our ability to generate revenues from the particular product candidate.

Outside the United States, the ability to market a product is contingent upon receiving approval from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing, and reimbursement vary widely from country to country. Only after the appropriate regulatory authority is satisfied that adequate evidence of safety, quality, and efficacy has been presented will it grant a marketing authorization. Approval by the FDA does not automatically lead to the approval by regulatory authorities outside the United States and, similarly, approval by regulatory authorities outside the United States will not automatically lead to FDA approval.

In addition, U.S. and foreign government regulations control access to and use of some human or other tissue samples in our research and development efforts. U.S. and foreign government agencies may also impose restrictions on the use of data derived from human or other tissue samples. Accordingly, if we fail to comply with these regulations and restrictions, the commercialization of our product candidates may be delayed or suspended, which may delay or impede our ability to generate product revenues.

If our competitors develop and market products that are more effective than NUPLAZID or our product candidates, they may reduce or eliminate our commercial opportunity.

Competition in the pharmaceutical and biotechnology industries is intense and expected to increase. We face competition from pharmaceutical and biotechnology companies, as well as numerous academic and research institutions and governmental agencies, both in the United States and abroad. Some of these competitors have products or are pursuing the development of drugs that target the same diseases and conditions that are the focus of our drug development programs.

For example, the use of NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis competes with off-label use of antipsychotic drugs, including the generic drugs quetiapine and clozapine. If approved, pimavanserin for the treatment of dementia-related psychosis would compete with off-label use of antipsychotic drugs, including the generic drugs risperidone and quetiapine, and drugs indicated for the treatment of Alzheimer's disease and dementia in patients with Alzheimer's disease, including Aricept, marketed by Eisai Inc. and Pfizer Inc., and Namenda, marketed by Forest Laboratories, LLC, a wholly-owned subsidiary of Actavis. Pimavanserin for the adjunctive treatment of schizophrenia, if approved for that indication, would compete with Rexulti, marketed by Otsuka Pharmaceutical Co., Ltd., Latuda, marketed by Sunovion Pharmaceuticals Inc., and generic drugs, including olanzapine, risperidone, aripiprazole and clozapine. Pimavanserin for the adjunctive treatment of major depressive disorder, if approved for that indication, would compete with Rexulti, off-label use of antipsychotic drugs and the generic drugs olanzapine, risperidone, aripiprazole and clozapine. In the area of chronic pain, potential products would compete with Lyrica, marketed by Pfizer, and Cymbalta, marketed by Eli Lilly, as well as a variety of generic or proprietary opioids.

Many of our competitors and their collaborators have significantly greater experience than we do in the following:

- identifying and validating targets;
- screening compounds against targets;
- preclinical studies and clinical trials of potential pharmaceutical products;
- obtaining FDA and other regulatory approvals; and
- commercializing pharmaceutical products.

In addition, many of our competitors and their collaborators have substantially greater capital and research and development resources, manufacturing, sales and marketing capabilities, and production facilities. Smaller companies also may prove to be significant competitors, particularly through proprietary research discoveries and collaboration arrangements with large pharmaceutical and established biotechnology companies. Many of our competitors have products that have been approved or are in advanced development and may develop superior technologies or methods to identify and validate drug targets and to discover novel small molecule drugs. Our competitors, either alone or with their collaborators, may succeed in developing drugs that are more effective, safer, more affordable, or more easily administered than ours and may achieve patent protection or commercialize drugs sooner than us. Our competitors may also develop alternative therapies that could further limit the market for any drugs that we may develop. Our failure to compete effectively could have a material adverse effect on our business.

While there are no approved medications for the treatment of Rett syndrome, trofinetide, if approved for Rett syndrome would compete with off label usage of generic prescription medications targeted at individual symptoms of Rett syndrome. These include antipsychotics including risperidone and aripiprazole; antidepressants sertraline and citalopram; and benzodiazepines clonazepam and diazepam. There are multiple academic institutions and six other pharmaceutical companies conducting clinical research in Rett syndrome. While other pharmaceutical companies are studying compounds for the associated symptoms of Rett syndrome (seizures – Ultragenyx, Anavex, GW Pharmaceuticals; respiratory issues – Newron, Neurolixis), these ongoing clinical trials have identified secondary outcomes assessing impact on overall disorder and some may launch in advance of trofinetide. Rett specific scales are being used in these trials including the RSBQ (Rett syndrome Behavioral Questionaire) which is being used in the trofinetide Phase 3 trial. Additionally AveXis/Novartis has a gene therapy program in Rett syndrome with a current projected FDA filing date of 2022.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of NUPLAZID or any other product for which we obtain regulatory approval, or development or commercialization of our product candidates.

We face an inherent risk of product liability as a result of the commercial sales of NUPLAZID in the United States and the clinical testing of our product candidates, and will face an even greater risk following commercial launch of NUPLAZID in additional jurisdictions, if approved, or if we engage in the clinical testing of new product candidates or commercialize any additional products. For example, we may be sued if NUPLAZID or any other product we develop allegedly causes injury or is found to be otherwise unsuitable for administration in humans. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products or product candidates that we may develop;
- injury to our reputation;

- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources;
- the inability to commercialize our products or product candidates; and
- a decline in our stock price.

Although we currently have product liability insurance that covers our clinical trials and the commercialization of NUPLAZID, we may need to increase and expand this coverage, including if we commence larger scale trials and if other product candidates are approved for commercial sale. This insurance may be prohibitively expensive or may not fully cover our potential liabilities. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we or our collaborators develop. If we determine that it is prudent to increase our product liability coverage, we may be unable to obtain such increased coverage on acceptable terms or at all. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. Our liability could exceed our total assets if we do not prevail in a lawsuit from any injury caused by our drug products. Product liability claims could have a material adverse effect on our business and results of operations.

We are dependent on information technology systems, infrastructure and data, which exposes us to data security risks.

We are dependent upon our own or third-party information technology systems, infrastructure and data, including mobile technologies, to operate our business. The multitude and complexity of our computer systems may make them vulnerable to service interruption or destruction, disruption of data integrity, malicious intrusion, or random attacks. Likewise, data privacy or security incidents or breaches by employees or others may pose a risk that sensitive data, including our intellectual property, trade secrets or personal information of our employees, patients, customers or other business partners may be exposed to unauthorized persons or to the public. Cyber-attacks are increasing in their frequency, sophistication and intensity. Cyber-attacks could include the deployment of harmful malware, denial-of-service, social engineering and other means to affect service reliability and threaten data confidentiality, integrity and availability. Our business partners face similar risks and any security breach of their systems could adversely affect our security posture. A security breach or privacy violation that leads to disclosure or modification of or prevents access to patient information, including personally identifiable information or protected health information, could harm our reputation, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, require us to verify the correctness of database contents and otherwise subject us to litigation or other liability under laws and regulations that protect personal data, any of which could disrupt our business and/or result in increased costs or loss of revenue. Moreover, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information, trade secrets or other intellectual property. While we have invested, and continue to invest, in the protection of our data and information technology infrastructure, there can be no assurance that our efforts will prevent service interruptions, or identify breaches in our systems, that could adversely affect our business and operations and/or result in the loss of critical or sensitive information, which could result in financial, legal, business or reputational harm to us. In addition, our liability insurance may not be sufficient in type or amount to cover us against claims related to security breaches, cyber-attacks and other related breaches.

Risks Related to Our Common Stock

Our stock price historically has been, and is likely to remain, highly volatile.

The market prices for securities of biotechnology companies in general, and drug discovery and development companies in particular, have been highly volatile and may continue to be highly volatile in the future. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our common stock:

- the success of our commercialization of NUPLAZID in the United States for the treatment of hallucinations and delusions associated with PD Psychosis;
- the status and cost of our post-marketing commitments for NUPLAZID;
- the status and cost of development and commercialization of pimavanserin for indications other than in PD Psychosis and in jurisdictions other than the United States;
- the status and cost of development and commercialization of our product candidates, including compounds being developed under our collaborations;
- whether we acquire or in-license additional product candidates or products, and the status of development and commercialization of such product candidates or products;
- any other communications or guidance from the FDA or other regulatory authorities that pertain to NUPLAZID or our product candidates;
- the initiation, termination, or reduction in the scope of our collaborations or any disputes or developments regarding our collaborations;
- market conditions or trends related to biotechnology and pharmaceutical industries, or the market in general;
- announcements of technological innovations, new products, or other material events by our competitors or us, including any new products that we may acquire or in-license;
- disputes or other developments concerning our proprietary and intellectual property rights;
- changes in, or failure to meet, securities analysts' or investors' expectations of our financial performance;
- our failure to meet applicable Nasdaq listing standards and the possible delisting of our common stock from the Nasdaq Stock Market;
- additions or departures of key personnel;
- discussions of our business, products, financial performance, prospects, or stock price by the financial and scientific press and online investor communities such as blogs and chat rooms;
- public concern as to, and legislative action with respect to, genetic testing or other research areas of biopharmaceutical companies, the pricing and availability of prescription drugs, or the safety of drugs and drug delivery techniques;
- regulatory developments in the United States and in foreign countries;
- changes in the structure of healthcare payment systems;
- the announcement of, or developments in, any litigation matters; and
- economic and political factors, including but not limited to economic and financial crises, wars, terrorism, and political unrest.

In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. For example, in March 2015, following our announcement of the update to the timing of our planned NDA submission to the FDA for NUPLAZID for the treatment of PD Psychosis and the subsequent decline of the price of our common stock, two putative securities class action complaints were filed against us and certain of our current and former officers, which complaints were subsequently consolidated into one complaint. The complaint generally alleged that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false and misleading statements regarding the timing of our planned NDA submission to the FDA for NUPLAZID, thereby artificially inflating the price of our common stock. The parties agreed to a settlement in that case, which was approved by the court in January 2018. Additionally, Between July 19 and August 3, 2018, following the recent negative publicity about NUPLAZID, three putative securities class action complaints were filed against us and certain of our current executive officers. The complaints generally allege that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false and misleading statements regarding our

business, operations, and prospects by failing to disclose that adverse events and safety concerns regarding NUPLAZID threatened initial and continuing FDA approval, and by failing to disclose that we engaged in business practices likely to attract regulatory scrutiny. If we are not successful in defense of these claims, we may have to make significant payments to, or other settlements with, our stockholders and their attorneys. Even if such claims are not successful, the litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on our business, operating results or financial condition.

If we or our stockholders sell substantial amounts of our common stock, the market price of our common stock may decline.

A significant number of shares of our common stock are held by a small number of stockholders. Sales of a significant number of shares of our common stock, or the expectation that such sales may occur, could significantly reduce the market price of our common stock. In connection with our March 2014 public offering of common stock, we agreed to provide resale registration rights for the shares of our common stock held by entities affiliated with one of our principal stockholders and two of our directors, Julian C. Baker and Dr. Stephen R. Biggar, which we refer to as the Baker Entities. In connection with our January 2016 public offering of common stock, we entered into a formal registration rights agreement with the Baker Entities to provide for these rights. Under the registration rights agreement we have agreed that, if at any time and from time to time, the Baker Entities demand that we register their shares of our common stock for resale under the Securities Act, we would be obligated to effect such registration. On April 1, 2016, we filed a registration statement covering the sale of up to 26,179,806 shares of our common stock, which includes 493,145 shares of our common stock issuable upon the exercise of warrants that were owned by the Baker Entities as of December 31, 2018, and which represent approximately 18 percent of our outstanding shares. Our registration obligations under this registration rights agreement cover all shares now held or later acquired by the Baker Entities will be in effect for up to 10 years, and include our obligation to facilitate certain underwritten public offerings of our common stock by the Baker Entities in the future. If the Baker Entities sell a large number of our shares, or the market perceives that the Baker Entities intend to sell a large number of our shares, this could adversely affect the market price of our common stock. We also may elect to sell an indeterminate number of shares on our own behalf pursuant to a registration statement or in a private placement, from time to time. Our stock price may decline as a result of the sale of the shares of our common stock included in any of these registration statements or future financings.

If our officers, directors, and largest stockholders choose to act together, they may be able to significantly influence our management and operations, acting in their best interests and not necessarily those of our other stockholders.

Our directors, executive officers and holders of five percent or more of our outstanding common stock and their affiliates beneficially own a substantial portion of our outstanding common stock. As a result, these stockholders, acting together, have the ability to significantly influence all matters requiring approval by our stockholders, including the election of all of our board members, amendments to our certificate of incorporation, going-private transactions, and the approval of mergers or other business combination transactions. The interests of this group of stockholders may not always coincide with our interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of our other stockholders.

Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us more complicated and may make the removal and replacement of our directors and management more difficult.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock and adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. These provisions may also make it difficult for stockholders to remove and replace our board of directors and management. These provisions:

- establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning at least a majority of our capital stock;
- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and prevent or delay a takeover attempt;
- limit who may call a special meeting of stockholders;
- establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings;
- prohibit our stockholders from making certain changes to our amended and restated certificate of incorporation or amended and restated bylaws except with 66 2/3 percent stockholder approval; and
- provide for a board of directors with staggered terms.

We are also subject to provisions of the Delaware corporation law that, in general, prohibit any business combination with a beneficial owner of 15 percent or more of our common stock for three years unless the holder's acquisition of our stock was approved in advance by our board of directors. Although we believe these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirors to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders.

Adverse securities and credit market conditions may significantly affect our ability to raise capital.

Historically, turmoil and volatility in the financial markets have adversely affected the market capitalizations of many biotechnology companies, and generally made equity and debt financing more difficult to obtain. These events, coupled with other factors, may limit our access to financing in the future. This could have a material adverse effect on our ability to access funding on acceptable terms, or at all, and our stock price may suffer further as a result.

We do not intend to pay dividends on our common stock in the foreseeable future; as such, you must rely on stock appreciation for any return on your investment.

To date, we have not paid any cash dividends on our common stock, and we do not intend to pay any dividends in the foreseeable future. Instead, we intend to retain any future earnings to fund the development and growth of our business. For this reason, the success of an investment in our common stock, if any, will depend on the appreciation of our common stock, which may not occur. There is no guarantee that our common stock will appreciate, and therefore, a holder of our common stock may not realize a return on his or her investment.

Item 1B. ***Unresolved Staff Comments.***

This item is not applicable.

Item 2. ***Properties.***

As of December 31, 2018, our primary facility consists of approximately 78,000 square feet of leased office space located in San Diego, California, which is leased through May 2020. We also lease a facility in Princeton, New Jersey that covers approximately 25,000 square feet of office space, which is leased through January 2025.

During the fourth quarter of 2018, we entered into a new lease agreement for the lease of approximately 67,000 square feet of office space in San Diego, California. We anticipate moving into this facility around May 2020 in connection with the expiration of the lease for our current primary facility.

Item 3. ***Legal Proceedings.***

Between July 19 and August 3, 2018, following recent negative publicity about NUPLAZID, three purported Company stockholders filed putative securities class action complaints (captioned Staublein v. ACADIA Pharmaceuticals, Inc., Case No. 18-cv-01647, Stone v. ACADIA Pharmaceuticals Inc., Case No. 18-cv-01672, and Barglow v. ACADIA Pharmaceuticals Inc., Case No. 18-cv-01812) in the U.S. District Court for the Southern District of California against us and certain of our current and former executive officers. The complaints generally allege that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false and misleading statements regarding our business, operations, and prospects by failing to disclose that adverse events and safety concerns regarding NUPLAZID threatened initial and continuing FDA approval, and by failing to disclose that we engaged in business practices likely to attract regulatory scrutiny. The complaints seek unspecified monetary damages and other relief. Several putative lead plaintiffs filed motions to consolidate the cases and to appoint a lead plaintiff. On January 3, 2019, the court consolidated the cases under Case No. 18-cv-01647 and took the lead plaintiff motions under submission. The defendants' response to the complaints is stayed pending resolution of the lead plaintiff motions. We have assessed such legal proceedings, and given the unpredictability inherent in litigation, we cannot predict the outcome of these matters. At this time, we are unable to estimate possible losses or ranges of losses that may result from such legal proceedings, and we have not accrued any amounts in connection with such legal proceedings other than ongoing attorneys' fees.

Government Investigation

In September 2018, we received a civil investigative demand ("CID") from the Department of Justice ("DOJ") requesting certain documents and information related to our sales and marketing of NUPLAZID. We are cooperating with the DOJ's request. Responding to the CID will require considerable resources and no assurance can be given as to the timing or outcome of the DOJ's investigation.

Item 4. ***Mine Safety Disclosures.***

This item is not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Our common stock is traded on the Nasdaq Global Select Market under the symbol "ACAD".

As of January 31, 2019, there were 143,882,381 shares of common stock outstanding held by approximately 30 stockholders of record. Many stockholders hold their shares in street name and we believe that there are approximately 36,000 beneficial owners of our common stock.

Performance Graph

The following graph shows a comparison of the total cumulative returns of an investment of $100 in cash from December 31, 2013 through December 31, 2018 in (i) our common stock, (ii) the Nasdaq Biotechnology Index, and (iii) the Nasdaq U.S. Benchmark TR Index. The comparisons in the graph are required by the SEC and are not intended to forecast or be indicative of the possible future performance of our common stock. The graph assumes that all dividends have been reinvested (to date, we have not declared any dividends).

Item 6. ***Selected Financial Data.***

The following data has been derived from our audited financial statements, including the consolidated balance sheets at December 31, 2018 and 2017 and the related consolidated statements of operations for each of the three years ended December 31, 2018 and related notes appearing elsewhere in this report. The consolidated statement of operations data for the years ended December 31, 2015 and 2014 and the consolidated balance sheet data as of December 31, 2016, 2015 and 2014 are derived from our audited consolidated financial statements that are not included in this report. You should read the selected financial data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report.

	Years Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Revenues:					
Product sales, net	$ 223,807	$ 124,901	$ 17,327	$ —	$ —
Collaborative revenue	—	—	4	61	120
Total revenues	223,807	124,901	17,331	61	120
Operating expenses:					
Cost of product sales	12,377	9,077	3,075	—	—
License fees and royalties	5,953	3,983	1,331	2,500	—
Research and development	187,163	149,189	99,284	73,869	60,602
Selling, general and administrative	265,758	255,062	186,456	88,304	32,748
Total operating expenses	471,251	417,311	290,146	164,673	93,350
Loss from operations	(247,444)	(292,410)	(272,815)	(164,612)	(93,230)
Interest income, net	5,348	4,126	2,763	499	755
Other expense	(1,840)	—	—	—	—
Loss before income taxes	(243,936)	(288,284)	(270,052)	(164,113)	(92,475)
Income tax expense	1,256	1,119	1,341	330	—
Net loss	$ (245,192)	$ (289,403)	$ (271,393)	$ (164,443)	$ (92,475)
Net loss per common share, basic and diluted	$ (1.94)	$ (2.36)	$ (2.34)	$ (1.63)	$ (0.95)
Weighted average common shares outstanding, basic and diluted	126,583	122,600	115,858	100,630	97,248

	At December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and investment securities	$ 473,520	$ 341,342	$ 529,036	$ 215,132	$ 322,486
Working capital	466,541	324,447	505,312	197,087	308,784
Total assets	540,202	384,506	561,153	221,896	325,458
Total stockholders' equity	479,079	335,285	518,411	199,762	309,489

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations*.**

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. Past operating results are not necessarily indicative of results that may occur in future periods. This discussion contains forward-looking statements, which involve a number of risks and uncertainties. Such forward-looking statements include statements about the benefits to be derived from NUPLAZID® (pimavanserin) and from our drug candidates, the potential market opportunities for pimavanserin and our drug candidates, our strategy for the commercialization of NUPLAZID, our plans for exploring and developing pimavanserin for indications other than Parkinson's disease psychosis, our plans and timing with respect to seeking regulatory approvals, the potential commercialization of any of our drug candidates that receive regulatory approval, the progress, timing, results or implications of clinical trials and other development activities involving NUPLAZID and our drug candidates, our strategy for discovering, developing and, if approved, commercializing drug candidates, our existing and potential future collaborations, our estimates of future payments, revenues and profitability, our estimates regarding our capital requirements, future expenses and need for additional financing, possible changes in legislation, and other statements that are not historical facts, including statements which may be preceded by the words "believes," "expects," "hopes," "may," "will," "plans," "intends," "estimates," "could," "should," "would," "continues," "seeks," "aims," "projects," "predicts," "pro forma," "anticipates," "potential" or similar words. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain. For forward-looking statements, we claim the protection of the Private Securities Litigation Reform Act of 1995. Readers of this report are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update or revise publicly any forward-looking statements. Forward-looking statements are not guarantees of performance. Actual results or events may differ materially from those anticipated in our forward-looking statements as a result of various factors, including those set forth under the section captioned "Risk Factors" elsewhere in this report. Information in the following discussion for a yearly period means for the year ended December 31 of the indicated year.

Overview

Background

We are a biopharmaceutical company focused on the development and commercialization of innovative medicines to address unmet medical needs in central nervous system disorders. We have a portfolio of product opportunities led by our novel drug, NUPLAZID (pimavanserin), which was approved by the U.S. Food and Drug Administration, or FDA, in April 2016 for the treatment of hallucinations and delusions associated with Parkinson's disease psychosis, or PD Psychosis. We hold worldwide commercialization rights to pimavanserin. We launched NUPLAZID in the United States in May 2016 with the recommended dosing of 34 mg once a day taken as two 17 mg tablets. In June 2018, the FDA approved a 34 mg NUPLAZID capsule formulation and a 10 mg NUPLAZID tablet.

We believe that pimavanserin has the potential to address important unmet medical needs in neurological and psychiatric disorders in addition to PD Psychosis and we plan to continue to study the use of pimavanserin in multiple disease states. For example, we believe dementia-related psychosis represents one of our most important opportunities for further exploration. Following our End-of-Phase 2 Meeting with the FDA and agreement with the agency on our clinical development plan, we initiated our Phase 3 HARMONY relapse prevention study in the fourth quarter of 2017, which allows us to evaluate pimavanserin for a broader indication than AD Psychosis alone. More specifically, HARMONY will evaluate pimavanserin for the treatment of hallucinations and delusions associated with dementia-related psychosis, which includes psychosis in patients with Alzheimer's disease, dementia with Lewy bodies, Parkinson's disease dementia, vascular dementia and frontotemporal dementia.

According to the National Institute of Mental Health, major depressive disorder (MDD) affects approximately 16 million adults in the United States, with approximately 2.5 million adults treated with adjunctive therapy. The majority of people who suffer from MDD do not respond adequately to initial antidepressant therapy. In October 2018, we announced positive top-line results from CLARITY, a Phase 2 study evaluating pimavanserin for adjunctive treatment in 207 patients with MDD who had a confirmed inadequate response to existing first-line, SSRI or SNRI, antidepressant therapy. In the study, pimavanserin met the pre-specified primary and key secondary endpoints with statistical significance and positive results were also observed in seven additional secondary endpoints including response rate, improvement in sexual function, and a reduction in daytime sleepiness. Pimavanserin was generally well-tolerated in the study with no meaningful weight gain observed or impact on motor function. In February 2019, we conducted an End-of-Phase 2 Meeting with the FDA and we plan to initiate a Phase 3 program for pimavanserin as an adjunctive treatment for MDD in the first half of 2019.

We also believe schizophrenia represents a disease with multiple unmet or ill-served needs and we are currently exploring the utility of pimavanserin in this area. In the fourth quarter of 2016, we initiated two studies evaluating the adjunctive use of pimavanserin in patients with schizophrenia. ENHANCE is a Phase 3 study evaluating pimavanserin for adjunctive treatment of schizophrenia in patients with an inadequate response to their current antipsychotic therapy. We expect to report top-line results of the ENHANCE study in mid-2019. ADVANCE is a Phase 2 study evaluating pimavanserin for adjunctive treatment in patients with negative symptoms of schizophrenia.

In August 2018, we acquired an exclusive North American license to develop and commercialize trofinetide for Rett syndrome and other indications from Neuren Pharmaceuticals. Rett syndrome is a debilitating neurological disorder that occurs predominantly in females following apparently normal development for the first six months of life. Typically, between six to eighteen months of age, patients experience a period of rapid decline with loss of purposeful hand use and spoken communication and inability to independently conduct activities of daily living. Symptoms also include seizures, disorganized breathing patterns, scoliosis and sleep disturbances. Trofinetide is a novel synthetic analog of the amino-terminal tripeptide of IGF-1 designed to treat the core symptoms of Rett syndrome by reducing neuroinflammation and supporting synaptic function. Trofinetide has been granted FDA Fast Track Status and Orphan Drug Designation in the U.S. and Europe. Currently, there are no approved medicines for the treatment of Rett syndrome. We plan to initiate a Phase 3 randomized, double-blind placebo-controlled study evaluating trofinetide in girls with Rett syndrome in the second half of 2019.

During 2015, we licensed worldwide intellectual property rights related to pimavanserin in certain indications to ACADIA Pharmaceuticals GmbH, our wholly-owned Swiss subsidiary. Our active pharmaceutical ingredient, or API, for our NUPLAZID (pimavanserin) program has been manufactured in Switzerland for over 10 years and we anticipate continuing to manufacture our API in Switzerland. ACADIA Pharmaceuticals GmbH manages the worldwide supply chain of pimavanserin API. We believe the establishment of ACADIA Pharmaceuticals GmbH, as well as the licensing of worldwide intellectual property rights for pimavanserin, will allow us to build a platform for long-term operational and financial efficiencies.

We have incurred substantial operating losses since our inception due in large part to expenditures for our research and development activities and more recently for our sales and marketing activities related to the commercialization of NUPLAZID. As of December 31, 2018, we had an accumulated deficit of $1.5 billion. We expect to continue to incur operating losses for at least the next few years as we advance our programs and incur significant development and commercialization costs.

Financial Operations Overview

Product and Collaborative Revenues

Net product sales consist of sales of NUPLAZID, our first and only commercial product to date. The FDA approved NUPLAZID in April 2016 and we launched the product in the United States in May 2016. Prior to the generation of revenue from NUPLAZID, our revenues had been generated substantially from payments under our collaboration agreements.

Cost of Product Sales

Cost of product sales consists of third-party manufacturing costs, freight, and indirect overhead costs associated with sales of NUPLAZID. Cost of product sales may also include period costs related to certain inventory manufacturing services, excess or obsolete inventory adjustment charges, unabsorbed manufacturing and overhead costs, and manufacturing variances.

License Fees and Royalties

License fees and royalties consist of milestone payments expensed or capitalized and subsequently amortized under our 2006 license agreement with the Ipsen Group. License fees and royalties also include royalties of two percent due to the Ipsen Group based upon net sales of NUPLAZID.

Research and Development Expenses

Our research and development expenses have consisted primarily of fees paid to external service providers, salaries and related personnel expenses, facilities and equipment expenses, and other costs incurred related to pre-commercial product candidates. We charge all research and development expenses to operations as incurred. Our research and development activities have primarily focused on NUPLAZID (pimavanserin) which was approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis in April 2016. We currently are responsible for all costs incurred in the ongoing development of pimavanserin and we expect to continue to make substantial investments in clinical studies of pimavanserin for indications other than PD Psychosis, including dementia-related psychosis, schizophrenia and depression. Additionally, in connection with the FDA approval of

NUPLAZID, we committed to conduct post-marketing studies, including a randomized, placebo-controlled withdrawal study in PD Psychosis patients treated with NUPLAZID and randomized, placebo-controlled eight-week studies in predominantly frail and elderly patients that would add to the NUPLAZID safety database by exposing an aggregate of at least 500 patients to NUPLAZID. We will be responsible for all costs incurred for these post-marketing studies. We expect to incur increased research and development expenses as a result of our development of trofinetide under the exclusive North American license granted to us by Neuren Pharmaceuticals, including the costs of the planned Phase 3 randomized, double-blind placebo-controlled study evaluating trofinetide in girls with Rett syndrome. We currently are responsible for all costs incurred in the development of trofinetide, as well as milestone payments subject to achievement of development milestones.

We use external service providers to manufacture our product candidates and for the majority of the services performed in connection with the preclinical and clinical development of pimavanserin. Historically, we have used our internal research and development resources, including our employees and discovery infrastructure, across several projects and many of our costs have not been attributable to a specific project. Accordingly, we have not reported our internal research and development costs on a project basis. To the extent that external expenses are not attributable to a specific project, they are included in other programs. The following table summarizes our research and development expenses for the years ended December 31, 2018, 2017, and 2016 (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Costs of external service providers:			
NUPLAZID (pimavanserin)	$ 94,697	$ 83,402	$ 53,622
Trofinetide	12,083	—	—
Other programs	5,207	505	518
Subtotal	111,987	83,907	54,140
Internal costs	43,138	38,797	27,094
Stock-based compensation	32,038	26,485	18,050
Total research and development	$ 187,163	$ 149,189	$ 99,284

Although NUPLAZID was approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis, at this time, due to the risks inherent in clinical development, we are unable to estimate with certainty the costs we will incur for the ongoing development of pimavanserin in additional indications, including those within dementia-related psychosis, schizophrenia and depression, and the development of trofinetide. Due to these same factors, we are unable to determine with any certainty the anticipated completion dates for our current research and development programs. Clinical development and regulatory approval timelines, probability of success, and development costs vary widely. While our current development efforts are primarily focused on advancing the development of pimavanserin in additional indications other than PD Psychosis, we anticipate that we will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to the scientific and clinical success of each product candidate, as well as an ongoing assessment of the commercial potential of each opportunity and our financial position. We cannot forecast with any degree of certainty which product opportunities will be subject to future collaborative or licensing arrangements, when such arrangements will be secured, if at all, and to what degree any such arrangements would affect our development plans and capital requirements. Similarly, we are unable to estimate with certainty the costs we will incur for post-marketing studies that we committed to conduct in connection with FDA approval of NUPLAZID.

We expect our research and development expenses to increase and continue to be substantial as we conduct studies pursuant to our post-marketing commitments and pursue the development of pimavanserin in additional indications other than PD Psychosis, including our studies within dementia-related psychosis, schizophrenia and depression indications and the development of trofinetide in Rett Syndrome. The lengthy process of completing clinical trials and supporting development activities and seeking regulatory approval for our product opportunities requires the expenditure of substantial resources. Any failure by us or delay in completing clinical trials, or in obtaining regulatory approvals, could cause our research and development expenses to increase and, in turn, have a material adverse effect on our results of operations.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of salaries and other related costs, including stock-based compensation expense, for our commercial personnel, including our specialty sales force, our medical education professionals, and our personnel serving in executive, finance, business development, and business operations functions. Also included in selling, general and administrative expenses are fees paid to external service providers to support our commercial activities associated with NUPLAZID, professional fees associated with legal and accounting services, costs associated with patents and patent applications for our intellectual property and charitable donations to independent charitable foundations that support Parkinson’s disease patients

generally. We expect our selling, general and administrative expenses to increase in future periods to support commercial activities associated with NUPLAZID and our further development of pimavanserin in additional indications other than PD Psychosis.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements. We have identified the accounting policies that we believe require application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our actual results may differ substantially from these estimates under different assumptions or conditions.

Revenue Recognition

Product Sales, Net

Effective January 1, 2018, we adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and applied all the related amendments to all of the contracts using the modified-retrospective method. While results for reporting periods beginning after January 1, 2018 are presented under the new guidance, prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The accounting policy for revenue recognition for periods prior to January 1, 2018 is described in Note 2 of the Notes to the Consolidated Financial Statements included in our Annual Report. Under Topic 606, we recognize revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that we determine are within the scope of Topic 606, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, we assess the goods or services promised within such contract, determine those that are performance obligations, and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Payment terms differ by customer, but typically range from 31 to 35 days from the date of shipment. Revenue for our product sales has not been adjusted for the effects of a financing component as we expect, at contract inception, that the period between when we transfer control of the product and when we receive payment will be one year or less. No cumulative effect adjustment to the opening balance of retained earnings was necessary upon adoption, and there is no reconciliation of our Consolidated Statements of Operations, as no revenue recognition differences were identified when comparing the revenue recognition criteria under Topic 606 to previous requirements.

Our net product sales consist of U.S. sales of NUPLAZID. NUPLAZID was approved by the FDA in April 2016 and we commenced shipments of NUPLAZID to specialty pharmacies, or SPs, and specialty distributors, or SDs, in late May 2016. SPs dispense product to a patient based on the fulfillment of a prescription and SDs sell product to government facilities, long-term care pharmacies, or in-patient hospital pharmacies. Product shipping and handling costs are included in cost of product sales.

We recognize revenue from product sales at the net sales price (the "transaction price") which includes estimates of variable consideration for which reserves are established and reflects each of these as either a reduction to the related account receivable or as an accrued liability, depending on how the amount payable is settled. Overall, these reserves reflect our best estimates of the amount of consideration to which we are entitled based on the terms of the contract. The amount of variable consideration that is included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from estimates, we may need to adjust our estimates, which would affect net revenue in the period of adjustment. The following represent our significant categories of sales discounts and allowances:

Distribution Fees: Distribution fees include distribution service fees paid to our SPs and SDs based on a contractually fixed percentage of the wholesale acquisition cost, or WAC, fees for data, and prompt payment discounts. Distribution fees are recorded as an offset to revenue based on contractual terms at the time revenue from the sale is recognized.

Rebates: Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit. Rebates are amounts owed after the final dispensing of the product to a benefit plan participant and are based upon contractual agreements with, or statutory requirements pertaining to, Medicaid and Medicare benefit providers. The allowance for rebates is based on statutory discount rates and expected utilization. Our estimates for expected utilization of rebates is based on historical data received from the SPs and SDs since product launch. Rebates are generally invoiced and paid in arrears so that

the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for prior quarters' unpaid rebates.

Chargebacks: Chargebacks are discounts and fees that relate to contracts with government and other entities purchasing from the SDs at a discounted price. The SDs charge back to us the difference between the price initially paid by the SDs and the discounted price paid to the SDs by these entities. We also incur group purchasing organization fees for transactions through certain purchasing organizations. We estimate sales with these entities and accrue for anticipated chargebacks and organization fees, based on the applicable contractual terms.

Co-Payment Assistance: We offer co-payment assistance to commercially insured patients meeting certain eligibility requirements. Co-payment assistance is accrued for based on actual program participation and estimates of program redemption using data provided by third-party administrators.

Product Returns: Consistent with industry practice, we offer the SPs and SDs limited product return rights for damages, shipment errors, and expiring product; provided that the return is within a specified period around the product expiration date as set forth in the applicable individual distribution agreement. We do not allow product returns for product that has been dispensed to a patient. As we receive inventory reports from the SPs and SDs and have the ability to control the amount of product that is sold to the SPs and SDs, we are able to make a reasonable estimate of future potential product returns based on this on-hand channel inventory data and sell-through data obtained from the SPs and SDs. In arriving at our estimate, we also consider historical product returns, the underlying product demand, and industry data specific to the specialty pharmaceutical distribution industry.

Research and Development Accruals

We estimate certain costs and expenses and accrue for these liabilities as part of our process of preparing financial statements. Examples of areas in which subjective judgments may be required include, among other things, costs associated with services provided by contract organizations for preclinical development, manufacturing of our product candidates and clinical trials. We accrue for costs incurred as the services are being provided by monitoring the status of the trial or services provided, and the invoices received from our external service providers. In the case of clinical trials, a portion of the estimated cost normally relates to the projected cost to treat a patient in the trials, and this cost is recognized based on the number of patients enrolled in the trial. Other indirect costs are generally recognized on a straight-line basis over the estimated period of the study. As actual costs become known to us, we adjust our accruals. To date, our estimates have not differed materially from the actual costs incurred. However, subsequent changes in estimates may result in a material change in our accruals, which could also materially affect our balance sheet and results of operations.

Stock-Based Compensation

The fair value of each employee stock option and each employee stock purchase plan right granted is estimated on the grant date under the fair value method using the Black-Scholes valuation model, which requires us to make a number of assumptions including the estimated expected life of the award and related volatility. The fair value of restricted stock units is estimated based on the market price of our common stock on the date of grant. The estimated fair values of stock options, purchase plan rights, and restricted stock units are then expensed over the vesting period.

Results of Operations

Fluctuations in Operating Results

Our results of operations have fluctuated significantly from period to period in the past and are likely to continue to do so in the future. We anticipate that our quarterly and annual results of operations will be impacted for the foreseeable future by several factors, including the progress and timing of expenditures related to our commercial activities associated with NUPLAZID and the extent to which we generate revenue from product sales, our development of pimavanserin in additional indications other than PD Psychosis, our development of Trofinetide in Rett Syndrome, the progress and timing of expenditures related to studies pursuant to our post-marketing commitments, and the timing and amount of payments received pursuant to collaborations. Further, we expect our sales allowances to vary from quarter to quarter due to fluctuations in our Medicare Part D Coverage Gap liability and the volume of purchases eligible for government mandated discounts and rebates, as well as changes in discount percentages that may be impacted by potential future price increases and other factors. Due to these fluctuations, we believe that the period-to-period comparisons of our operating results are not a good indication of our future performance.

Comparison of the Years Ended December 31, 2018 and 2017

Product Sales, Net

Net product sales, comprised of NUPLAZID, were $223.8 million and $124.9 million in 2018 and 2017, respectively. Net product sales for the year ended 2018 increased as compared to the year ended 2017 primarily due to growth in NUPLAZID unit sales of approximately 43% in 2018 compared to 2017. Also contributing to the increase was a higher average gross selling price of NUPLAZID in 2018 as compared to 2017.

The following table provides a summary of activity with respect to our sales allowances and accruals for the year ended December 31, 2018 (in thousands):

	Distribution Fees, Discounts & Chargebacks	Co-Pay Assistance	Rebates, Data Fees & Returns	Total
Balance at December 31, 2017	$ 246	$ (56)	$ 3,401	$ 3,591
Provision related to current period sales	24,613	1,266	18,673	44,552
Credits/payments for current period sales	(22,773)	(1,236)	(12,824)	(36,833)
Credits/payments for prior period sales	(246)	56	(3,401)	(3,591)
Balance at December 31, 2018	$ 1,840	$ 30	$ 5,849	$ 7,719

Cost of Product Sales

Cost of product sales was $12.4 million and $9.1 million in 2018 and 2017, respectively, or approximately 6% and 7% of net product sales. The cost of product sales as a percentage of net sales decreased during 2018 as compared to 2017 due primarily to higher manufacturing levels, resulting in higher inventory cost absorption, and increased sales volume at a higher average gross selling price in 2018, partially offset by charges of $2.7 million in 2018 to reduce certain finished goods and work in process inventory to its net realizable value. Product sold during 2018 and 2017 was manufactured with raw material that was previously charged to research and development expense prior to FDA approval of NUPLAZID. This zero cost raw material did not materially impact our cost of product sales and related product gross margins in 2018 and 2017.

License Fees and Royalties

License fees and royalties were $6.0 million and $4.0 million in 2018 and 2017, respectively, and include amortization related to the milestone paid to the Ipsen Group upon FDA approval of NUPLAZID in 2016 and royalties due to the Ipsen Group of two percent of net sales of NUPLAZID. The increase in license fees and royalties was due to the increase in sales volume during 2018.

Research and Development Expenses

Research and development expenses increased to $187.2 million in 2018, including $32.0 million in stock-based compensation, from $149.2 million in 2017, including $26.5 million in stock-based compensation. The increase in research and development expense was due to an increase of $28.1 million in external service costs and an increase of $9.9 million in personnel and related costs, including an increase of $5.5 million in stock compensation expense. The increase in external service costs was primarily due to increased clinical study costs, as we continue to invest in our life cycle management programs for pimavanserin, as well as an upfront payment of $10.0 million to Neuren Pharmaceuticals related to our in-license of trofinetide.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $265.8 million in 2018, including $45.7 million in stock-based compensation, from $255.1 million in 2017, including $45.3 million in stock-based compensation. The increase in selling, general and administrative expenses was due to an increase of $3.6 million in external service costs and an increase of $7.1 million in personnel and related costs, including an increase of $0.3 million in stock compensation expense. The increase in external service costs was primarily due to an increase in marketing expense related to our direct-to-consumer advertising campaign. The increase in personnel and related costs was largely due to an increase in costs associated with our specialty sales force in long-term care that was expanded in the first half of 2017.

Comparison of the Years Ended December 31, 2017 and 2016

Product Sales, Net

Net product sales, comprised of NUPLAZID, which we launched in May 2016, were $124.9 million and $17.3 million in 2017 and 2016, respectively. Net product sales for the year ended 2017 increased as compared to the year ended 2016 due to continued growth in sales of NUPLAZID since its launch in mid-2016 and a higher average sales price for NUPLAZID in 2017 as compared to 2016.

The following table provides a summary of activity with respect to our sales allowances and accruals for the year ended December 31, 2017 (in thousands):

	Distribution Fees, Discounts & Chargebacks	Co-Pay Assistance	Rebates, Data Fees & Returns	Total
Balance at December 31, 2016	$ 201	$ (1)	$ 1,799	$ 1,999
Provision related to current period sales	12,837	964	9,941	23,742
Credits/payments for current period sales	(12,591)	(1,020)	(6,540)	(20,151)
Credits/payments for prior period sales	(201)	1	(1,799)	(1,999)
Balance at December 31, 2017	$ 246	$ (56)	$ 3,401	$ 3,591

Cost of Product Sales

Cost of product sales was $9.1 million and $3.1 million in 2017 and 2016, respectively, or approximately 7% and 18% of net product sales. Costs of sales increased for the year ended December 31, 2017 as compared to 2016 due to lower manufacturing levels, resulting in lower inventory cost absorption, and greater sales volume. Additionally, with the launch of NUPLAZID in mid-2016, costs of sales were not incurred for the entire fiscal year in 2016. The cost of product sales as a percentage of net sales decreased during 2017 as compared to 2016 due primarily to the increased sales volume in 2017, partially offset by a charge of $0.7 million in 2017 to reduce certain finished goods inventory to its net realizable value. Product sold during 2017 and 2016 was manufactured with raw material that was previously charged to research and development expense prior to FDA approval of NUPLAZID. This zero cost raw material did not materially impact our cost of product sales and related product gross margins in 2017 and 2016.

License Fees and Royalties

License fees and royalties were $4.0 million and $1.3 million in 2017 and 2016, respectively, and include amortization related to the milestone paid to the Ipsen Group upon FDA approval of NUPLAZID in 2016 and royalties due to the Ipsen Group of two percent of net sales of NUPLAZID. The increase in license fees and royalties was due to the increase in sales volume during 2017.

Research and Development Expenses

Research and development expenses increased to $149.2 million in 2017, including $26.5 million in stock-based compensation, from $99.3 million in 2016, including $18.1 million in stock-based compensation. The increase in research and development expense was due to an increase of $29.8 million in external service costs and an increase of $20.1 million in personnel and related costs, including stock compensation expense, associated with our expanded research and development organization. The increase in external service costs was primarily due to increased clinical costs associated with the development of pimavanserin in indications other than PD Psychosis, including Alzheimer’s disease, dementia-related psychosis, schizophrenia, and depression.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $255.1 million in 2017, including $45.3 million in stock-based compensation, from $186.5 million in 2016, including $36.0 million in stock-based compensation. The increase in selling, general and administrative expenses was due to an increase of $36.4 million in external service costs and an increase of $32.2 million in personnel and related costs, including stock compensation expense. The increase in external service costs was primarily due to additional charitable contributions to independent charitable foundations that support Parkinson’s disease patients generally made during the year ended December 31, 2017 compared to the year ended December 31, 2016, as well as an increase in advertising expense related to our direct-to-consumer advertising campaign. The increase in personnel and related costs was largely due to costs associated with our specialty sales force that we hired in the second quarter of 2016 and further expanded in the first half of 2017.

Liquidity and Capital Resources

We have funded our operations primarily through sales of our equity securities, payments received under our collaboration agreements, debt financings, interest income, and, since 2016, with revenues from sales of NUPLAZID. In November 2018, we raised net proceeds of approximately $298.5 million in a follow-on public offering of our common stock. In January and August 2016, we raised total net proceeds of approximately $497.5 million in follow-on public offerings of our common stock, and in 2014 we raised net proceeds of $196.8 million in a public offering of our common stock. We anticipate that the level of cash used in our operations will increase in future periods in order to fund our ongoing and planned commercial activities for NUPLAZID, our ongoing and planned development activities for pimavanserin in additional indications other than PD Psychosis, studies to be conducted pursuant to our post-marketing commitments and our planned development activities for trofinetide for the treatment of Rett syndrome. We expect that our cash, cash equivalents, and investment securities will be sufficient to fund our planned operations through at least the next twelve months.

We may require significant additional financing in the future to fund our operations. Our future capital requirements will depend on, and could increase significantly as a result of, many factors, including:

- the progress in, and the costs of, our ongoing and planned development activities for pimavanserin and trofinetide, post-marketing studies for NUPLAZID to be conducted over the next several years, ongoing and planned commercial activities for NUPLAZID, and other research and development programs;
- the costs of maintaining and developing our sales and marketing capabilities for NUPLAZID;
- the costs of establishing, or contracting for, sales and marketing capabilities for other product candidates;
- the amount of U.S. product sales from NUPLAZID;
- the costs of preparing applications for regulatory approvals for NUPLAZID in jurisdictions other than the United States, and potentially in additional indications other than PD Psychosis and for other product candidates, as well as the costs required to support review of such applications;
- the costs of manufacturing and distributing NUPLAZID;
- our ability to obtain regulatory approval for, and subsequently generate product sales from, NUPLAZID in jurisdictions other than the United States or in additional indications other than PD Psychosis, or from trofinetide and other product candidates;
- the costs of acquiring additional product candidates or research and development programs;
- the scope, prioritization and number of our research and development programs;
- our ability to enter into new collaboration and license agreements;
- the extent to which we are obligated to reimburse collaborators or collaborators are obligated to reimburse us for costs under collaboration agreements;
- the costs involved in filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;
- the costs of securing manufacturing arrangements for clinical or commercial production of NUPLAZID or other product candidates; and
- the costs associated with litigation, including the costs incurred in defending against any product liability claims that may be brought against us related to NUPLAZID.

Unless and until we can generate significant cash from our operations, we expect to satisfy our future cash needs through our existing cash, cash equivalents and investment securities, public or private sales of our securities, debt financings, strategic collaborations, or by licensing all or a portion of our product candidates or technology. In the past, periods of turmoil and volatility in the financial markets have adversely affected the market capitalizations of many biotechnology companies, and generally made equity and debt financing more difficult to obtain. These events, coupled with other factors, may limit our access to additional financing in the future. This could have a material adverse effect on our ability to access sufficient funding. We cannot be certain that additional funding will be available to us on acceptable terms, or at all. If funds are not available, we will be required to delay, reduce the scope of, or eliminate one or more of our research or development programs or our commercialization efforts. We also may be required to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose. Additional funding, if obtained, may significantly dilute existing stockholders and could negatively impact the price of our stock.

We have invested a substantial portion of our available cash in money market funds and high quality, marketable debt instruments of corporations and government sponsored enterprises in accordance with our investment policy. Our investment policy defines allowable investments and establishes guidelines relating to credit quality, diversification, and maturities of our investments to preserve principal and maintain liquidity. All investment securities have a credit rating of at least A3/A- or better, or P-1/A-1 or better, as determined by Moody's Investors Service or Standard & Poor's. Our investment portfolio has not been adversely impacted by the disruptions in the credit markets that have occurred in the past. However, if there are future disruptions in the credit markets, there can be no assurance that our investment portfolio will not be adversely affected.

At December 31, 2018, we had $473.5 million in cash, cash equivalents, and investment securities, compared to $341.3 million at December 31, 2017. This $132.2 million increase in cash, cash equivalents, and investment securities during 2018 was primarily due to proceeds from our follow-on public offering in November 2018, partially offset by our cash used in operations. Net cash used in operating activities decreased to $167.5 million in 2018 compared to $217.8 million in 2017 and $208.4 million in 2016. The decrease in net cash used in operating activities in 2018 relative to 2017 was due to an increase in our net revenues, partially offset by additional clinical study activities, including a $10.0 million upfront license payment to Neuren Pharmaceuticals, and additional marketing costs related to our direct-to-consumer advertising campaign. The increase in net cash used in operating activities in 2017 relative to 2016 was primarily due to expansion of our research and development activities and additional costs to support the commercialization of NUPLAZID.

Net cash used in investing activities totaled $71.5 million in 2018 compared to net cash provided by investing activities of $92.5 million in 2017 and net cash used in investing activities of $261.9 million in 2016. Net cash used in investing activities in 2018 compared to the net cash provided by investing activities in 2017 was primarily due to a decrease in maturities of investment securities attributable to cash used to fund operations. Net cash provided by investing activities in 2017 compared to the net cash used in investing activities in 2016 was primarily due to a decrease in purchases of investment securities attributable to cash used to fund operations.

Net cash provided by financing activities increased to $306.6 million in 2018 compared to $31.2 million in 2017 and decreased compared to $533.8 million in 2016. The increase in net cash provided by financing activities in 2018 relative to 2017 was primarily attributable to the November 2018 follow-on public offering that contributed approximately $298.5 million in total net proceeds in 2018, with no comparable offering in 2017. The decrease in net cash provided by financing activities in 2017 relative to 2016 was primarily attributable to the January and August 2016 follow-on public offerings that contributed approximately $497.5 million in total net proceeds in 2016, with no comparable offerings in 2017.

Contractual Obligations

The following is a summary of our long-term contractual obligations as of December 31, 2018 (in thousands):

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating leases	$ 59,276	$ 3,287	$ 6,316	$ 10,990	$ 38,683
Other long-term contractual obligations	9,002	1,483	4,760	2,759	—
Total	$ 68,278	$ 4,770	$ 11,076	$ 13,749	$ 38,683

In addition to operating leases, we enter into certain other long-term commitments for goods and services that are outstanding for periods greater than one year. To the extent these long-term commitments are noncancelable, they are reflected in the above table. We also enter into short-term agreements with various vendors and suppliers of goods and services in the normal course of operations through purchase orders or other documentation, or that are undocumented except for an invoice. Such short-term agreements are generally outstanding for periods less than a year and are settled by cash payments upon delivery of goods and services. The nature of the work being conducted under these agreements is such that, in most cases, the services may be stopped on short notice. In such event, we would not be liable for the full amount of the agreement and therefore are not reflected in the above table.

Pursuant to the terms of our 2006 license agreement with the Ipsen Group, we are required to make royalty payments based upon net sales of NUPLAZID of two percent. Royalty payments are contingent upon net product sales and accordingly these amounts are not included in the above table.

In addition, in connection with the license agreement entered into with Neuren, we have committed to milestone payments of up to $455.0 million, based on the achievement of certain development and annual net sales milestones. In addition, Neuren is eligible to receive tiered, escalating, double-digit percentage royalties based on net sales. These payments are contingent upon achieving future regulatory and commercial milestones, and accordingly these amounts are not included in the above table.

Off-Balance Sheet Arrangements

To date, we have not had any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

Recent Accounting Pronouncements

See Item 15 of Part IV, "Notes to Consolidated Financial Statements—Note 2—Summary of Significant Accounting Policies."

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Interest Rate Risk

We invest our excess cash in investment-grade, interest-bearing securities. The primary objective of our investment activities is to preserve principal and liquidity. To achieve this objective, we invest in money market funds and high quality marketable debt instruments of corporations and government sponsored enterprises with contractual maturity dates of generally less than two years. All investment securities have a credit rating of at least A3/A- or better, or P-1/A-1 or better, as determined by Moody's Investors Service or Standard & Poor's. We do not have any direct investments in auction-rate securities or securities that are collateralized by assets that include mortgages or subprime debt. If a 10 percent change in interest rates were to have occurred on December 31, 2018, this change would not have had a material effect on the fair value of our investment portfolio as of that date.

Item 8. ***Financial Statements and Supplementary Data.***

The consolidated financial statements required pursuant to this item are included in Item 15 of this report and are presented beginning on page F-1.

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (who serves as our principal executive officer and principal financial officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As of December 31, 2018, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Chief Executive Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2018.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision and with the participation of our management, including our Chief Executive Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of

financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2018, our management assessed the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on this assessment, management, under the supervision and with the participation of our Chief Executive Officer, concluded that, as of December 31, 2018, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its report, which is included herein.

Changes in Internal Control Over Financial Reporting

An evaluation was also performed under the supervision and with the participation of our management, including our Chief Executive Officer, of any changes in our internal control over financial reporting that occurred during our last fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. That evaluation did not identify any change in our internal control over financial reporting that occurred during our latest fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
ACADIA Pharmaceuticals Inc.

Opinion on Internal Control Over Financial Reporting

We have audited ACADIA Pharmaceuticals Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, ACADIA Pharmaceuticals Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of ACADIA Pharmaceuticals Inc. as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive loss, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedule listed in the Index at Item 15(a)2 and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

San Diego, California
February 26, 2019

Item 9B. ***Other Information*** None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.***

The information required by this Item and not set forth below will be set forth in the section headed "—Election of Directors" and "Information Regarding the Board of Directors and Corporate Governance" in our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders to be filed with the SEC by April 30, 2019 (our "Proxy Statement") and is incorporated in this report by reference.

We have adopted a code of ethics for directors, officers (including our principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics is available on our website at *http://www.acadia-pharm.com* under the Corporate Governance section of our Investors page. We will promptly disclose on our website (i) the nature of any amendment to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals, the name of such person who is granted the waiver and the date of the waiver. Stockholders may request a free copy of the Code of Business Conduct and Ethics from our compliance department c/o ACADIA Pharmaceuticals Inc., 3611 Valley Centre Drive, Suite 300, San Diego, CA 92130.

Item 11. ***Executive Compensation.***

The information required by this Item will be set forth in the section headed "Executive Compensation" in our Proxy Statement and is incorporated in this report by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The information required by this Item will be set forth in the section headed "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement and is incorporated in this report by reference.

Information regarding our equity compensation plans will be set forth in the section headed "Executive Compensation" in our Proxy Statement and is incorporated in this report by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

The information required by this Item will be set forth in the section headed "Transactions With Related Persons" in our Proxy Statement and is incorporated in this report by reference.

Item 14. ***Principal Accountant Fees and Services.***

The information required by this Item will be set forth in the section headed "—Ratification of Selection of Independent Registered Public Accounting Firm" in our Proxy Statement and is incorporated in this report by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents filed as part of this report.

1. The following financial statements of ACADIA Pharmaceuticals Inc. and Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, are included in this report:

2. List of financial statement schedules:

Schedule II – Valuation and Qualifying Accounts

Schedules not listed above have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. List of Exhibits required by Item 601 of Regulation S-K. See part (b) below.

(b) Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation, as Amended (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q, filed August 6, 2015).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed September 12, 2013).
4.1	Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to Registration Statement No. 333-52492).
4.2	Form of Amended and Restated Warrant to Purchase Common Stock (superseding the form of warrant issued to certain purchasers in a private placement on December 17, 2012).
10.1[a]	Form of Indemnity Agreement for directors and officers (incorporated by reference to Exhibit 10.1 to Registration Statement No. 333-113137).
10.2[a]	2004 Equity Incentive Plan and forms of agreement thereunder (incorporated by reference to Exhibit 10.3 to Registration Statement No. 333-113137).
10.3[a]	2010 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed June 15, 2017).
10.4[a]	Forms of agreement under the 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K, filed February 29, 2016).
10.5[a]	2004 Employee Stock Purchase Plan, as amended (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed June 10, 2016).
10.6[a]	Offerings under the 2004 Employee Stock Purchase Plan, as amended (incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K, filed February 28, 2017).
10.7[a]	Employment Agreement, dated September 1, 2015, between the Registrant and Stephen Davis (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed September 3, 2015).
10.8[a]	Employment Offer Letter, dated October 28, 2015, between the Registrant and Srdjan Stankovic (incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K, filed February 29, 2016).

Exhibit Number	Description
10.9[a]	Employment Offer Letter, dated February 24, 2017, between the Registrant and Michael J. Yang (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed May 9, 2017).
10.10[a]	Employment Offer Letter, dated July 2, 2018, between the Registrant and Austin D. Kim (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed November 6, 2018).
10.11[a]	Description of Executive Officer Annual Incentive Cash Compensation Program (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed March 18, 2016).
10.12[a]	Management Severance Benefit Plan (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed December 15, 2015).
10.13[a]	Amended and Restated Change in Control Severance Benefit Plan (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K, filed December 15, 2015).
10.14[a]	Description of Outside Director Compensation Program (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed August 8, 2017).
10.15[b]	Master Manufacturing Services Agreement and Product Agreement, dated August 3, 2015, by and between the Registrant and Patheon Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed November 5, 2015).
10.16[b]	First Amendment to Product Agreement, dated April 25, 2016, by and between the Registrant and Patheon Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed August 4, 2016).
10.17[b]	Second Amendment to Product Agreement, dated October 6, 2016, by and between the Registrant and Patheon Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed November 7, 2016).
10.18[b]	Third Amendment to Product Agreement, dated December 11, 2017, by and between the Registrant and Patheon Pharmaceuticals Inc (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K, filed February 27, 2018.
10.19[b]	Master Services Agreement, dated December 15, 2016, by and between ACADIA Pharmaceuticals GmbH and Siegfried AG and its affiliates, and Attachment #1, Attachment #2 and Attachment #3 (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K, filed February 28, 2017).
10.20[b]	Change Order #1 to Master Services Agreement Attachment #1, dated January 3, 2017, by and between ACADIA Pharmaceuticals GmbH and Siegfried AG (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K, filed February 28, 2017).
10.21[b]	Attachment #4, Attachment #5 and Attachment #6, each dated May 12, 2017, to the Master Services Agreement, dated December 15, 2016, by and between ACADIA Pharmaceuticals GmbH and Siegfried AG and its affiliates (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, filed August 8, 2017).
10.22[b]	Commercial Supply Agreement, dated February 22, 2018, by and between the Registrant and Catalent Pharma Solutions, LLC (incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K, filed February 27, 2018.
10.23	Registration Rights Agreement, dated January 6, 2016, between the Registrant and the investors listed on Schedule A thereto (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed January 7, 2016).
10.24	Assignment of Brann Intellectual Property Rights, dated January 29, 1997, by Mark R. Brann in favor of the Registrant (incorporated by reference to Exhibit 10.17 to Registration Statement No. 333-52492).
10.25[b]	License Agreement, dated November 30, 2006, by and between the Registrant and Société de Conseils, de Recherches et d'Applications Scientifiques SAS, a French corporation member of the Ipsen Group (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed December 4, 2006).
10.26[b]	License Agreement, dated August 6, 2018, by and between the Registrant and Neuren Pharmaceuticals Ltd.
10.27[b]	Lease Agreement, effective October 4, 2018, by and between the Registrant and Kilroy Realty, L.P.
21.1	List of subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney (see signature page hereto).

Exhibit Number	Description
31.1	Certification of Stephen Davis, Chief Executive Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Stephen Davis, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from this Annual Report, formatted in XBRL (Extensible Business Reporting Language), are filed herewith: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Loss, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity, and (vi) Notes to Consolidated Financial Statements.

[a] Indicates management contract or compensatory plan or arrangement.

[b] We have requested or received confidential treatment of certain portions of this agreement, which have been omitted and filed separately with the SEC pursuant to Rule 406 under the Securities Act of 1933, as amended, or Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

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

ACADIA PHARMACEUTICALS INC.

/s/ STEPHEN DAVIS

Stephen Davis
Chief Executive Officer
(on behalf of the registrant and as the registrant's Principal Executive Officer)

Date: February 26, 2019

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints Stephen Davis, his true and lawful attorney-in-fact and agent with full power of substitution, for him and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ STEPHEN DAVIS **Stephen Davis**	Chief Executive Officer and Director (Principal Executive and Financial Officer)	February 26, 2019
/s/ ERIC MILLER **Eric Miller**	Senior Director and Controller (Principal Accounting Officer)	February 26, 2019
/s/ STEPHEN BIGGAR **Stephen Biggar**	Chairman of the Board	February 26, 2019
/s/ JULIAN BAKER **Julian Baker**	Director	February 26, 2019
/s/ LAURA BREGE **Laura Brege**	Director	February 26, 2019
/s/ JAMES DALY **James Daly**	Director	February 26, 2019
/s/ EDMUND HARRIGAN **Edmund Harrigan**	Director	February 26, 2019
/s/ DANIEL SOLAND **Daniel Soland**	Director	February 26, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
ACADIA Pharmaceuticals Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ACADIA Pharmaceuticals Inc. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive loss, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedule listed in the Index at Item 15(a)2 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.

San Diego, California
February 26, 2019

ACADIA PHARMACEUTICALS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31,	
	2018	2017
Assets		
Cash and cash equivalents	$ 134,758	$ 69,418
Investment securities, available-for-sale	338,762	271,924
Accounts receivable, net	26,090	17,343
Interest and other receivables	1,699	1,087
Inventory	4,070	5,248
Prepaid expenses	20,727	8,457
Total current assets	526,106	373,477
Property and equipment, net	3,309	2,662
Intangible assets, net	4,062	5,538
Restricted cash	4,826	2,475
Other assets	1,899	354
Total assets	$ 540,202	$ 384,506
Liabilities and stockholders' equity		
Accounts payable	$ 3,167	$ 8,786
Accrued liabilities	56,398	40,244
Total current liabilities	59,565	49,030
Long-term liabilities	1,558	191
Total liabilities	61,123	49,221
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized at December 31, 2018 and 2017; no shares issued and outstanding at December 31, 2018 and 2017	—	—
Common stock, $0.0001 par value; 225,000,000 shares authorized at December 31, 2018 and December 31, 2017; 143,853,597 shares and 124,410,552 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	14	12
Additional paid-in capital	1,948,300	1,559,343
Accumulated deficit	(1,468,863)	(1,223,671)
Accumulated other comprehensive loss	(372)	(399)
Total stockholders' equity	479,079	335,285
Total liabilities and stockholders' equity	$ 540,202	$ 384,506

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

ACADIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Years Ended December 31,		
	2018	2017	2016
Revenues			
Product sales, net	$ 223,807	$ 124,901	$ 17,327
Collaborative revenue	—	—	4
Total revenues	223,807	124,901	17,331
Operating expenses			
Cost of product sales	12,377	9,077	3,075
License fees and royalties	5,953	3,983	1,331
Research and development	187,163	149,189	99,284
Selling, general and administrative	265,758	255,062	186,456
Total operating expenses	471,251	417,311	290,146
Loss from operations	(247,444)	(292,410)	(272,815)
Interest income, net	5,348	4,126	2,763
Other expense	(1,840)	—	—
Loss before income taxes	(243,936)	(288,284)	(270,052)
Income tax expense	1,256	1,119	1,341
Net loss	$ (245,192)	$ (289,403)	$ (271,393)
Net loss per common share, basic and diluted	$ (1.94)	$ (2.36)	$ (2.34)
Weighted average common shares outstanding, basic and diluted	126,583	122,600	115,858

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

ACADIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Years Ended December 31,		
	2018	2017	2016
Net loss	$ (245,192)	$ (289,403)	$ (271,393)
Other comprehensive gain (loss):			
Unrealized gain (loss) on investment securities	24	(499)	94
Foreign currency translation adjustments	3	(6)	1
Comprehensive loss	$ (245,165)	$ (289,908)	$ (271,298)

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

ACADIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net loss	$ (245,192)	$ (289,403)	$ (271,393)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation	81,564	75,532	55,265
Amortization of premiums and accretion of discounts on investment securities	(578)	(291)	89
Amortization of intangible assets	1,476	1,477	985
Loss on strategic investment	1,840	—	—
Depreciation	1,529	1,236	843
Income tax benefit from exercise of stock options	—	—	(596)
Loss on disposal of assets	88	4	5
Changes in operating assets and liabilities:			
Accounts receivable, net	(8,747)	(11,440)	(5,903)
Interest and other receivables	(612)	150	401
Inventory	1,926	(1,012)	(3,305)
Prepaid expenses and other current assets	(12,270)	(911)	(4,731)
Other assets	(236)	431	(456)
Accounts payable	(5,619)	4,874	2,240
Accrued liabilities	15,994	4,206	15,579
Deferred revenue	—	(2,644)	2,644
Long-term liabilities	1,367	34	(75)
Net cash used in operating activities	(167,470)	(217,757)	(208,408)
Cash flows from investing activities			
Purchases of investment securities	(327,914)	(478,818)	(683,355)
Maturities of investment securities	261,678	572,103	430,937
Purchases of strategic investments	(3,149)	—	—
Intangible assets	—	—	(8,000)
Proceeds from sale of property and equipment	44	—	—
Purchases of property and equipment	(2,148)	(812)	(1,506)
Net cash (used in) provided by investing activities	(71,489)	92,473	(261,924)
Cash flows from financing activities			
Proceeds from issuance of common stock, net of issuance costs	306,647	31,188	518,896
Proceeds from settlement agreement	—	—	14,320
Income tax benefit from exercise of stock options	—	—	596
Net cash provided by financing activities	306,647	31,188	533,812
Effect of exchange rate changes on cash	3	(6)	2
Net increase (decrease) in cash, cash equivalents and restricted cash	67,691	(94,102)	63,482
Cash, cash equivalents and restricted cash			
Beginning of period	71,893	165,995	102,513
End of period	$ 139,584	$ 71,893	$ 165,995
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ 1,261	$ 1,367	$ 365
Supplemental disclosure of noncash information:			
Property and equipment purchases in accounts payable and accrued liabilities	$ 160	$ 9	$ 220
Stock-based compensation capitalized in inventory	$ (748)	$ (61)	$ 870

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

ACADIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2015	101,938,702	$ 10	$ 862,327	$ (662,586)	$ 11	$ 199,762
Issuance of common stock in public offering, net of issuance costs	17,314,523	2	497,763	—	—	497,765
Issuance of common stock from exercise of stock options	1,977,661	—	18,000	—	—	18,000
Issuance of common stock pursuant to employee stock purchase plan	136,283	—	3,131	—	—	3,131
Income tax benefit from exercise of stock options	—	—	596	—	—	596
Proceeds from settlement agreement	—	—	14,320	—	—	14,320
Net loss	—	—	—	(271,393)	—	(271,393)
Stock-based compensation	—	—	56,135	—	—	56,135
Other comprehensive income	—	—	—	—	95	95
Balances at December 31, 2016	121,367,169	$ 12	$ 1,452,272	$ (933,979)	$ 106	$ 518,411
Issuance of common stock from exercise of stock options	1,442,411	—	26,665	—	—	26,665
Issuance of common stock pursuant to employee stock purchase plan	192,402	—	4,522	—	—	4,522
Issuance of common stock from exercise of warrants on a net issuance basis	1,408,570	—	—	—	—	—
Net loss	—	—	—	(289,403)	—	(289,403)
Cumulative effect adjustment from adoption of ASU 2016-09	—	—	—	(289)	—	(289)
Stock-based compensation	—	—	75,884	—	—	75,884
Other comprehensive loss	—	—	—	—	(505)	(505)
Balances at December 31, 2017	124,410,552	$ 12	$ 1,559,343	$ (1,223,671)	$ (399)	$ 335,285
Issuance of common stock in public offering, net of issuance costs	18,602,941	2	298,535	—	—	298,537
Issuance of common stock from exercise of stock options	599,529	—	4,428	—	—	4,428
Issuance of common stock pursuant to employee stock purchase plan	233,720	—	3,682	—	—	3,682
Issuance of common stock from exercise of warrants on a net issuance basis	6,855	—	—	—	—	—
Net loss	—	—	—	(245,192)	—	(245,192)
Stock-based compensation	—	—	82,312	—	—	82,312
Other comprehensive loss	—	—	—	—	27	27
Balances at December 31, 2018	143,853,597	$ 14	$ 1,948,300	$ (1,468,863)	$ (372)	$ 479,079

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

1. Organization and Business

ACADIA Pharmaceuticals Inc. (the "Company"), based in San Diego, California, is a biopharmaceutical company focused on the development and commercialization of innovative medicines to address unmet medical needs in central nervous system disorders. The Company was originally incorporated in Vermont in 1993 as Receptor Technologies, Inc. and reincorporated in Delaware in 1997.

In April 2016, the U.S. Food and Drug Administration ("FDA") approved the Company's first drug, NUPLAZID® (pimavanserin), for the treatment of hallucinations and delusions associated with Parkinson's disease psychosis ("PD Psychosis"). NUPLAZID became available for prescription in the United States on May 31, 2016.

2. Summary of Significant Accounting Policies

Significant accounting policies followed in the preparation of these financial statements are as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries located in Europe. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Pursuant to the adoption of ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, the Company is presenting restricted cash with cash and cash equivalents in the beginning-of-period and end-of-period total amounts on its Consolidated Statements of Cash Flows. This reclassification reduced the Company's previously stated net cash used in operations and net decrease in cash and cash equivalents for the year ended December 31, 2017 by $0.1 million. The reclassification had no impact on the Company's balance sheets as previously reported. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows (in thousands).

	Twelve Months Ended December 31, 2018		Twelve Months Ended December 31, 2017		Twelve Months Ended December 31, 2016	
	Beginning of period	End of period	Beginning of period	End of period	Beginning of period	End of period
Cash and cash equivalents	$ 69,418	$ 134,758	$ 163,620	$ 69,418	$ 102,138	$ 163,620
Restricted cash	2,475	4,826	2,375	2,475	375	2,375
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 71,893	$ 139,584	$ 165,995	$ 71,893	$ 102,513	$ 165,995

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity date at the date of purchase of three months or less to be cash equivalents.

Investment Securities

The Company has classified all of its investment securities as available-for-sale as the sale of such securities may be required prior to maturity to implement management strategies, and accordingly, carries these investments at fair value. Unrealized gains and losses, if any, are reported as a separate component of stockholders' equity. The cost of investment securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion are included in interest income. Realized gains and losses, if any, are also included in interest income. The cost of securities sold is based on the specific identification method.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments, consisting of cash and cash equivalents, trade receivables, interest and other receivables, restricted cash, and accounts payable and accrued liabilities, approximate fair value due to the relative short-term nature of these instruments.

As disclosed in Note 4, the Company classifies its cash equivalents and available-for-sale investment securities within the fair value hierarchy as defined by authoritative guidance:

Level 1 Inputs — Quoted prices for identical instruments in active markets.

Level 2 Inputs — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable.

Level 3 Inputs — Valuation derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Accounts Receivable

Accounts receivable are recorded net of customer allowances for distribution fees, prompt payment discounts, chargebacks, and doubtful accounts. Allowances for distribution fees, prompt payment discounts and chargebacks are based on contractual terms. The Company estimates the allowance for doubtful accounts based on existing contractual payment terms, actual payment patterns of its customers and individual customer circumstances. At December 31, 2018, the Company determined that an allowance for doubtful accounts was not required. During the year ended December 31, 2018, the Company wrote off less than $0.1 million. No accounts were written off during the other periods presented.

Inventory

Inventory, consisting of raw material, work in process, and finished goods, is stated at the lower of cost or estimated net realizable value. The Company uses a combination of standard and actual costing methodologies to determine the cost basis for its inventories which approximates actual costs. Inventory is valued on a first-in, first-out basis and includes third-party manufacturing costs, freight, and indirect overhead costs. The Company capitalizes inventory costs associated with its products upon regulatory approval when, based on management's judgment, future commercialization is considered probable and the future economic benefit is expected to be realized; otherwise, such costs are expensed. Prior to FDA approval of NUPLAZID in April 2016, all costs related to the manufacturing of NUPLAZID were charged to research and development expense in the period incurred. The Company reduces its inventory to net realizable value for potentially excess, dated or obsolete inventory based on an analysis of forecasted demand compared to quantities on hand and any firm purchase orders, as well as product shelf life. During 2018 and 2017, the Company recorded charges of $2.7 million and $0.7 million, respectively, to reduce certain finished goods and work in process inventory to its net realizable value. No such charges were recorded in 2016.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease by use of the straight-line method. Construction-in-process reflects amounts incurred for property, equipment or improvements that have not been placed in service. Maintenance and repair costs are expensed as incurred. When assets are retired or sold, the assets and accumulated depreciation are removed from the respective accounts and any gain or loss is recognized.

Estimated useful lives by major asset category are as follows:

	Useful Lives
Machinery and equipment	5 to 7 years
Computers and software	3 years
Furniture and fixtures	10 years

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Through December 31, 2018, no such impairment losses have been recorded by the Company.

License Fees and Royalties

The Company expenses amounts paid to acquire licenses associated with products under development when the ultimate recoverability of the amounts paid is uncertain and the technology has no alternative future use when acquired. Acquisitions of technology licenses are charged to expense or capitalized based upon management's assessment regarding the ultimate recoverability of the amounts paid and the potential for alternative future use. The Company has determined that technological feasibility for its product candidates is reached when the requisite regulatory approvals are obtained to make the product available for sale.

In connection with the FDA approval of NUPLAZID in April 2016, the Company made a one-time milestone payment of $8.0 million pursuant to its 2006 license agreement with the Ipsen Group in which the Company licensed certain intellectual property rights that complement its patent portfolio for its serotonin platform, including NUPLAZID. The Company capitalized the $8.0 million payment as an intangible asset and is amortizing the asset on a straight-line basis over the estimated useful life of the licensed patents through the second half of 2021. The Company recorded amortization expense related to its intangible asset of $1.5 million, $1.5 million and $1.0 million for the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, estimated future amortization expense related to the Company's intangible asset was $1.5 million for each of 2019 and 2020, and $1.0 million for 2021.

Royalties incurred in connection with the Company's license agreement with the Ipsen Group, as disclosed in Note 9, are expensed to license fees and royalties as revenue from product sales is recognized.

Advertising Expense

In connection with the FDA approval and commercial launch of NUPLAZID in 2016, the Company began to incur advertising costs. Advertising costs are expensed when services are performed or goods are delivered. The Company incurred $39.8 million, $15.6 million and $1.6 million in advertising costs in 2018, 2017 and 2016, respectively, related to its marketed product, NUPLAZID. No advertising costs were capitalized as prepaid expenses at December 31, 2018 or 2017.

Revenue Recognition

Product Sales, Net

Effective January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and applied all the related amendments to all of the contracts using the modified-retrospective method. While results for reporting periods beginning after January 1, 2018 are presented under the new guidance, prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The accounting policy for revenue recognition for periods prior to January 1, 2018 is described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 2017 Annual Report. Under Topic 606, the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts

when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services promised within each contract, determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Payment terms differ by customer, but typically range from 31 to 35 days from the date of shipment. Revenue for the Company's product sales has not been adjusted for the effects of a financing component as the Company expects, at contract inception, that the period between when the Company transfers control of the product and when the Company receives payment will be one year or less. No cumulative effect adjustment to the opening balance of retained earnings was necessary upon adoption, and there is no reconciliation of the Company's Consolidated Statements of Operations, as no revenue recognition differences were identified when comparing the revenue recognition criteria under Topic 606 to previous requirements.

The Company's net product sales consist of U.S. sales of NUPLAZID. NUPLAZID was approved by the FDA in April 2016 and the Company commenced shipments of NUPLAZID to specialty pharmacies ("SPs") and specialty distributors ("SDs") in late May 2016. SPs dispense product to a patient based on the fulfillment of a prescription and SDs sell product to government facilities, long-term care pharmacies, or in-patient hospital pharmacies. Product shipping and handling costs are included in cost of product sales.

The Company recognizes revenue from product sales at the net sales price (the "transaction price") which includes estimates of variable consideration for which reserves are established and reflects each of these as either a reduction to the related account receivable or as an accrued liability, depending on how the amount payable is settled. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which the Company is entitled based on the terms of the contract. The amount of variable consideration that is included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results in the future vary from estimates, the Company may need to adjust its estimates, which would affect net revenue in the period of adjustment. The following are the Company's significant categories of sales discounts and allowances:

Distribution Fees: Distribution fees include distribution service fees paid to the SPs and SDs based on a contractually fixed percentage of the wholesale acquisition cost ("WAC"), fees for data, and prompt payment discounts. Distribution fees are recorded as an offset to revenue based on contractual terms at the time revenue from the sale is recognized.

Rebates: Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit. Rebates are amounts owed after the final dispensing of the product to a benefit plan participant and are based upon contractual agreements with, or statutory requirements pertaining to, Medicaid and Medicare benefit providers. The allowance for rebates is based on statutory discount rates and expected utilization. The Company's estimates for expected utilization of rebates is based on historical data received from the SPs and SDs since product launch. Rebates are generally invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for prior quarters' unpaid rebates.

Chargebacks: Chargebacks are discounts and fees that relate to contracts with government and other entities purchasing from the SDs at a discounted price. The SDs charge back to the Company the difference between the price initially paid by the SDs and the discounted price paid to the SDs by these entities. The Company also incurs group purchasing organization fees for transactions through certain purchasing organizations. The Company estimates sales with these entities and accrues for anticipated chargebacks and organization fees, based on the applicable contractual terms.

Co-Payment Assistance: The Company offers co-payment assistance to commercially insured patients meeting certain eligibility requirements. Co-payment assistance is accrued for based on actual program participation and estimates of program redemption using data provided by third-party administrators.

Product Returns: Consistent with industry practice, the Company offers the SPs and SDs limited product return rights for damages, shipment errors, and expiring product; provided that the return is within a specified period around the product expiration date as set forth in the applicable individual distribution agreement. The Company does not allow product returns for product that has been dispensed to a patient. As the Company receives inventory reports from the SPs and SDs and has the ability to control the amount of product that is sold to the SPs and SDs, it is able to make a reasonable estimate of future potential product returns based on this on-hand channel inventory data and sell-through data obtained from the SPs and SDs. In arriving at its estimate for product

returns, the Company also considers historical product returns, the underlying product demand, and industry data specific to the specialty pharmaceutical distribution industry.

Research and Development Expenses

Research and development expenses are charged to operations as incurred. Research and development expenses include, among other things, costs associated with services provided by contract organizations for preclinical development, pre-commercialization manufacturing expenses, and clinical trials. The Company accrues for costs incurred as the services are being provided by monitoring the status of the trial or services provided and the invoices received from its external service providers. In the case of clinical trials, a portion of the estimated cost normally relates to the projected cost to treat a patient in the trials, and this cost is recognized based on the number of patients enrolled in the trial. Other indirect costs are generally recognized on a straight-line basis over the estimated period of the study. As actual costs become known, the Company adjusts its accruals accordingly.

Concentration Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, principally consist of cash, cash equivalents, investment securities, accounts receivable, and restricted cash. The Company invests its excess cash primarily in money market funds, U.S. Treasury notes, and high quality, marketable debt instruments of corporations and government sponsored enterprises in accordance with the Company's investment policy. The Company's investment policy defines allowable investments and establishes guidelines relating to credit quality, diversification, and maturities of its investments to preserve principal and maintain liquidity. All investment securities have a credit rating of at least A3/A- or better, or P-1/A-1 or better, as determined by Moody's Investors Service or Standard & Poor's. Further, the Company specifies credit quality standards for its customers that are designed to limit the Company's credit exposure to any single party.

The Company does not currently have any of its own manufacturing facilities, and therefore it depends on an outsourced manufacturing strategy for the production of NUPLAZID for commercial use and for the production of its product candidates for clinical trials. The Company has contracts in place with two third-party manufacturers of commercial drug product and one third-party manufacturer of drug substance that is approved for the production of NUPLAZID active pharmaceutical ingredient ("API"). Although there are potential sources of supply other than the Company's existing suppliers, any new supplier would be required to qualify under applicable regulatory requirements.

The Company has entered into distribution agreements with a limited number of SPs and SDs, and all of the Company's product sales are to these customers. For the year ended December 31, 2018, the Company's four largest customers represented approximately 85% of the Company's product revenue and 84% of the Company's accounts receivable balance at December 31, 2018. For the year ended December 31, 2017, the Company's four largest customers represented approximately 89% of the Company's product revenue and 87% of the Company's accounts receivable balance at December 31, 2017. For the year ended December 31, 2016, the Company's four largest customers represented approximately 93% of the Company's product revenue and 91% of the Company's accounts receivable balance at December 31, 2016.

Stock-Based Compensation

The fair value of each employee stock option and each employee stock purchase right granted is estimated on the grant date under the fair value method using the Black-Scholes valuation model. The estimated fair value of each stock option and purchase right is then expensed over the requisite service period, which is generally the vesting period. The following weighted-average assumptions were used during these periods:

	Years Ended December 31,		
	2018	2017	2016
Stock Options:			
Expected volatility	71%	68%	78%
Risk-free interest rate	3%	2%	1-2%
Expected dividend yield	0%	0%	0%
Expected life of options in years	5.7	5.8	5.7

	Years Ended December 31,		
	2018	2017	2016
Employee Stock Purchase Plan:			
Expected volatility	59%-79%	44%-62%	60%-77%
Risk-free interest rate	2.1%-2.8%	1.0%-1.7%	0.4%-1.0%
Expected dividend yield	0%	0%	0%
Expected life in years	0.5-2.0	0.5-2.0	0.5-2.0

Expected Volatility. The Company considers its historical volatility and implied volatility when determining the expected volatility.

Risk-Free Interest Rate. The Company determines its risk-free interest rate assumption based on the U.S. Treasury yield for obligations with contractual terms similar to the expected term of the stock option or purchase right being valued.

Expected Dividend Yield. The Company has never paid any dividends and currently has no plans to do so.

Expected Life. In determining the expected life for stock options, the Company considers, among other factors, its historical exercise experience to date as well as the mean time remaining to full vesting of all outstanding options and the mean time remaining to the end of the contractual term of all outstanding options. The estimated life for the Company's employee stock purchase rights is based upon the terms of each offering period.

Stock options issued to non-employees other than directors are accounted for under the fair value method using the Black-Scholes valuation model and are re-measured to fair value at each period end until the earlier of the date that performance by the non-employee is complete or a performance commitment has been obtained.

The fair value of restricted stock units ("RSUs") is estimated based on the closing market price of the Company's common stock on the date of grant. RSUs vest annually over a four-year period.

The table below summarizes the total stock-based compensation expense included in the Company's statements of operations for the periods presented (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Cost of product sales	$ 3,863	$ 3,690	$ 1,218
Research and development	32,038	26,485	18,050
Sales, general and administrative	45,663	45,357	35,997
	$ 81,564	$ 75,532	$ 55,265

Income Taxes

Current income tax expense or benefit represents the amount of income taxes expected to be payable or refundable for the current year. A deferred income tax asset or liability is computed for the expected future impact of differences between the financial reporting and income tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax credits and loss carryforwards. Deferred income tax expense or benefit represents the net change during the year in the deferred income tax asset or liability. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the impact of a tax position in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. Any interest and penalties related to uncertain tax positions will be reflected in income tax expense.

Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing the net loss by the weighted average number of common shares and common stock equivalents outstanding for the period determined using the treasury stock method. For purposes of this calculation, stock options, employee stock purchase rights, RSUs, and warrants are considered to be common stock equivalents but are not included in the calculations of diluted net loss per share for the periods presented as their effect would be antidilutive. The Company incurred net losses for all periods presented and there were no reconciling items for potentially dilutive securities. More specifically, at December 31, 2018, 2017 and 2016, options, employee stock purchase rights, RSUs, and warrants totaling approximately 20,824,000 shares, 18,526,000 shares and 14,739,000 shares, respectively, were excluded from the calculation of diluted net loss per share as their effect would have been anti-dilutive.

Segment Reporting

Management has determined that the Company operates in one business segment which is the development and commercialization of innovative medicines. All revenues for the years ended December 31, 2018, 2017 and 2016 were generated in the United States.

Recently Issued Accounting Standards

In December 2017, the Tax Cuts and Jobs Act (the "2017 Tax Act") was enacted. The 2017 Tax Act includes a number of changes to existing U.S. tax laws that impact the company, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017. The 2017 Tax Act also provides for a one-time transition tax on certain foreign earnings and the acceleration of depreciation for certain assets placed into service after September 27, 2017 as well as prospective changes beginning in 2018, including repeal of the domestic manufacturing deduction, acceleration of tax revenue recognition, global intangible low taxed income, foreign derived intangible income deduction, additional limitations on executive compensation and limitations on the deductibility of interest.

The Company recognized the income tax effects of the 2017 Tax Act in its 2017 financial statements in accordance with Staff Accounting Bulletin No. 118, which provides SEC staff guidance for the application of ASC Topic 740, *Income Taxes*, in the reporting period in which the 2017 Tax Act was signed into law. As such, the Company's financial results reflected the income tax effects of the 2017 Tax Act which the accounting under ASC Topic 740 was complete and provisional amounts for those specific income tax effects of the 2017 Tax Act which were not complete. As December 31, 2018, the impact of the 2017 Tax Act has been substantially completed. The effects of the 2017 Tax Act did not have a significant impact, and are included as part of the overall provision calculation.

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance was effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted this guidance on January 1, 2018, using a retrospective transition method. The adoption of this ASU impacted the presentation of cash flows, with inclusion of restricted cash flows for each of the presented periods.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets and certain other instruments. For trade receivables and other instruments, entities will be required to use a new forward-looking expected loss model that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. This guidance is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those years, with early adoption permitted only as of annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the timing and impact of the adoption of this guidance on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows, and accounting for forfeitures. This guidance was effective for annual reporting periods beginning after December 15, 2016, including interim

periods within those years. The Company adopted this guidance in the first quarter of 2017 using the modified retrospective transition method. Accordingly, the Company increased its deferred tax assets by $36.8 million, with a corresponding increase to its valuation allowance, to record previously unrecognized excess tax benefits. Additionally, the Company elected to make an accounting policy change to recognize forfeitures as they occur. As a result, the Company recorded an increase to additional paid-in capital and a corresponding increase to accumulated deficit of $0.3 million, respectively, to reflect the incremental stock-based compensation expense that would have been recognized in prior years pursuant to the modified guidance. Additionally, the Company increased its deferred tax assets by $0.1 million, with a corresponding increase to its valuation allowance, to record the excess tax benefit from the change.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires a lessee to recognize a lease liability and a right-of-use asset for all leases with lease terms of more than 12 months. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those years, and early adoption is permitted. The ASU originally required companies to adopt this guidance using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. In January 2018, the FASB issued ASU 2018-01, *Leases: Land Easement Practical Expedient for Transition to Topic 842*, which facilitates the implementation of ASU 2016-02. ASU 2018-01 gives entities the option to apply ASU 2016-02 as of the effective date, rather than as of the beginning of the earliest period presented. Consequently, an entity's reporting for the comparative periods presented in the financial statements when it adopts the new leases standard will continue to be in accordance with current GAAP (ASC Topic 840) if the optional transition method is elected. The effective date of the transition requirements for the amendment is the same as the effective date and transition requirements in ASU 2016-02.

The Company adopted this standard effective January 1, 2019 using the optional transition method, and chose to apply the new standard as of the effective date. Consequently, all of the Company's operating lease commitments were recognized as lease liabilities, with corresponding right-of-use assets, based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases. Upon adoption of the standard, the Company preliminarily expects to record a right-of-use asset and lease liability of approximately $12.0 million on its Consolidated Balance Sheets. The Company has elected the standard's package of practical expedients on adoption requiring no reassessment of whether any expired or existing agreements contain a lease, the classification of any expired or existing lease agreements, or initial direct costs for any existing leases. The majority of the Company's leases are facility and equipment leases and are classified as operating leases under current lease guidance.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance under GAAP. As discussed above in its Revenue Recognition Accounting Policy, the Company adopted ASU 2014-09 and all the related guidance on January 1, 2018.

3. Investments

The carrying value and amortized cost of the Company's investments, summarized by major security type, consisted of the following (in thousands):

	December 31, 2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Corporate debt securities	$ 187,371	$ 39	$ (344)	$ 187,066
Commercial paper	151,774	—	(78)	151,696
Equity Securities	3,149	—	(1,840)	1,309
	$ 342,294	$ 39	$ (2,262)	$ 340,071

	December 31, 2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury notes	$ 32,976	$ —	$ (12)	$ 32,964
Government sponsored enterprise securities	10,082	—	(10)	10,072
Corporate debt securities	138,650	1	(321)	138,330
Commercial paper	90,623	—	(65)	90,558
	$ 272,331	$ 1	$ (408)	$ 271,924

The Company has classified all of its available-for-sale investment securities, including those with maturities beyond one year, as current assets on its consolidated balance sheets based on the highly liquid nature of the investment securities and because these investment securities are considered available for use in current operations. As of December 31, 2018 and December 31, 2017, the Company held $31.8 million and $48.7 million, respectively, of available-for-sale investment securities with contractual maturity dates more than one year and less than two years. The Company has classified all equity securities as other assets on its Consolidated Balance Sheets.

At December 31, 2018 the Company had 57 securities in an unrealized loss position and at December 31, 2017 the Company had 54 securities in an unrealized loss position. The following table presents gross unrealized losses and fair value for those available-for-sale investments that were in an unrealized loss position as of December 31, 2018 and December 31, 2017, aggregated by investment category and length of time that individual securities have been in a continuous loss position (in thousands):

	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
December 31, 2018:						
Corporate debt securities	$ 91,265	$ (130)	$ 44,637	$ (214)	$ 135,902	$ (344)
Commercial paper	151,696	(78)	—	—	151,696	(78)
Total	$ 242,961	$ (208)	$ 44,637	$ (214)	$ 287,598	$ (422)
December 31, 2017:						
U.S. Treasury notes	$ 32,964	$ (12)	$ —	$ —	$ 32,964	$ (12)
Government sponsored enterprise securities	10,072	(10)	—	—	10,072	(10)
Corporate debt securities	129,820	(321)	—	—	129,820	(321)
Commercial paper	90,558	(65)	—	—	90,558	(65)
Total	$ 263,414	$ (408)	$ —	$ —	$ 263,414	$ (408)

At each reporting date, the Company performs an evaluation of impairment to determine if any unrealized losses are other-than-temporary. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been less than the cost basis, the financial condition of the issuer, and the Company's intent and ability to hold the investment until recovery of its amortized cost basis. The Company intends, and has the ability, to hold its investments in unrealized loss positions until their amortized cost basis has been recovered. Based on its evaluation, the Company determined that its unrealized losses were not other-than-temporary at December 31, 2018 and 2017.

4. Fair Value Measurements

The Company's investments include cash equivalents, available-for-sale investment securities consisting of money market funds, U.S. Treasury notes, and high quality, marketable debt instruments of corporations and government sponsored enterprises in accordance with the Company's investment policy, and equity investments. The Company's investment policy defines allowable investment securities and establishes guidelines relating to credit quality, diversification, and maturities of its investments to preserve principal and maintain liquidity. All investment securities have a credit rating of at least A3/A- or better, or P-1/A-1 or better, as determined by Moody's Investors Service or Standard & Poor's.

The Company's cash equivalents, available-for-sale investment securities, and equity securities are classified within the fair value hierarchy as defined by authoritative guidance. The Company's investment securities and equity securities classified as Level 1 are valued using quoted market prices. The Company obtains the fair value of its Level 2 financial instruments from third-party pricing services. The pricing services utilize industry standard valuation models whereby all significant inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, or other market-related data, are observable. The Company validates the prices provided by the third-party pricing services by reviewing their pricing methods and matrices, and obtaining market values from other pricing sources. After completing the validation procedures, the Company did not adjust or override any fair value measurements provided by these pricing services as of December 31, 2018 and 2017, respectively.

The Company does not hold any securities classified as Level 3, which are securities valued using unobservable inputs. The Company has not transferred any investment securities between the classification levels.

The recurring fair value measurements of the Company's cash equivalents, available-for-sale investment securities, and equity securities at December 31, 2018 and 2017 consisted of the following (in thousands):

	December 31, 2018	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	$ 34,018	$ 34,018	$ —	$ —
Equity securities	1,309	1,309	—	—
Corporate debt securities	224,474	—	224,474	—
Commercial paper	191,564	—	191,564	—
	$ 451,365	$ 35,327	$ 416,038	$ —

	December 31, 2017	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	$ 38,057	$ 38,057	$ —	$ —
U.S. Treasury notes	32,964	32,964	—	—
Government sponsored enterprise securities	10,072	—	10,072	—
Corporate debt securities	154,396	—	154,396	—
Commercial paper	98,052	—	98,052	—
	$ 333,541	$ 71,021	$ 262,520	$ —

5. Balance Sheet Details

Inventory consisted of the following (in thousands):

	December 31,	
	2018	2017
Finished goods	$ 1,110	$ 1,164
Raw material	2,477	4,084
Work in process	483	—
	$ 4,070	$ 5,248

Property and equipment, net, consisted of the following (in thousands):

	December 31,	
	2018	2017
Machinery and equipment	$ —	$ 1,076
Computers and software	3,745	2,868
Leasehold improvements	1,655	1,642
Furniture and fixtures	2,114	1,305
Construction-in-process	—	—
	7,514	6,891
Accumulated depreciation	(4,205)	(4,229)
	$ 3,309	$ 2,662

Depreciation of property and equipment was $1.5 million, $1.2 million, and $0.8 million for the years ended December 31, 2018, 2017, and 2016, respectively. During 2018, 2017 and 2016, the Company retired $1.6 million, $0.4 million, and $0.2 million, respectively, of fully depreciated property and equipment.

Accrued liabilities consisted of the following (in thousands):

	December 31,	
	2018	2017
Accrued consulting and professional fees	$ 19,325	$ 9,395
Accrued compensation and benefits	17,028	15,260
Accrued research and development services	10,367	9,487
Accrued sales allowances	5,849	3,591
Other	3,829	2,511
	$ 56,398	$ 40,244

6. Stockholders' Equity

Public Offerings

In November 2018, the Company raised net proceeds of approximately $298.5 million from the sale of 18,602,941 shares of its common stock in a follow-on public offering, including 2,426,470 shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares.

In August 2016, the Company raised net proceeds of approximately $215.9 million from the sale of 6,969,696 shares of its common stock in a follow-on public offering, including 909,090 shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares.

In January 2016, the Company raised net proceeds of approximately $281.6 million from the sale of 10,344,827 shares of its common stock in a follow-on public offering. In connection with the January 2016 offering, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with 667, L.P., Baker Brothers Life Sciences, L.P. and 14159, L.P. (the "Baker Entities"), all of which are existing stockholders of the Company and are affiliated with two of its directors, Julian C. Baker and Dr. Stephen R. Biggar. Under the Registration Rights Agreement, the Company agreed that, if the Baker Entities demand that the Company register their shares of its common stock, par value $0.0001 per share, for resale under the Securities Act of 1933, as amended (the "Securities Act"), the Company would be obligated to effect such registration. The Company's registration obligations under the Registration Rights Agreement cover all shares of its common stock now held or later acquired by the Baker Entities (including approximately $75.0 million and $43.0 million of shares that the Baker Entities purchased at the public offering price in the January 2016 and August 2016 offerings, respectively), will continue in effect for up to 10 years, and include the Company's obligation to facilitate certain underwritten public offerings of its common stock by the Baker Entities in the future. The Company has agreed to bear all expenses incurred by it in effecting any registration pursuant to the Registration Rights Agreement as well as the legal expenses of the Baker Entities of up to $50,000 per underwritten public offering effected pursuant to the Registration Rights Agreement. On April 1, 2016, pursuant to the Registration Rights Agreement, the Company filed a registration statement covering all shares owned by the Baker Entities as of March 31, 2016.

Private Equity Financings

In December 2012, the Company raised net proceeds of $80.5 million through the sale of 19,000,000 shares of its common stock at a price of $4.43 per share and the sale of warrants to purchase 500,000 shares of its common stock at a price of $4.42 per warrant share in a private equity financing. The warrants have an exercise price of $0.01 per share and will expire on December 17, 2019. In accordance with authoritative accounting guidance, the warrants' value of $2.2 million was determined on the date of grant using the Black-Scholes model with the following assumptions: risk free interest rate of 1.1 percent, volatility of 105.8 percent, a 7.0 year term and no dividend yield. These warrants were recorded as a component of stockholders' equity within additional paid-in capital. Per their terms, the warrants to purchase 500,000 shares of common stock, of which 493,145 remained outstanding at December 31, 2018, may not be exercised if the holder's ownership of the Company's common stock would exceed 19.99 percent following such exercise.

Equity Awards

The Company's 2010 Equity Incentive Plan, as amended to date (the "2010 Plan"), permits the grant of options to employees, directors and consultants. In addition, the 2010 Plan permits the grant of stock bonuses, rights to purchase restricted stock, and other stock awards. The exercise price of options granted under the 2010 Plan cannot be less than 100 percent of the fair market value of the common stock on the date of grant and the maximum term of any option is 10 years. Options granted under the 2010 Plan generally vest over a four-year period. All shares that remained eligible for grant under the Company's 2004 Equity Incentive Plan (the "2004 Plan") at the time of approval of the 2010 Plan were transferred to the 2010 Plan. The 2010 Plan share reserve also has been, and may be, increased by the number of shares that otherwise would have reverted to the 2004 Plan reserve after June 2010. In June 2015, June 2016, June 2017, and June 2018, the Company's stockholders approved amendments to its 2010 Plan to, among other things, increase the aggregate number of shares of common stock authorized for issuance under the plan by 5,000,000 shares, 3,000,000 shares, 5,500,000, and 6,700,000 shares respectively, and at December 31, 2018, there were 26,919,256 shares of common stock authorized for issuance, of which 6,676,769 shares were available for new grants under the 2010 Plan.

Stock Options

The 2004 Plan provided for the grant of options to employees, directors and consultants. The exercise price of options granted under the 2004 Plan was at 100 percent of the fair market value of the common stock on the date of grant and the maximum term of any option was 10 years. Options granted under the 2004 Plan generally vested over a four-year period.

The following table summarizes the Company's stock option activity during the year ended December 31, 2018:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2017	17,943,436	$ 30.42		
Granted	5,273,665	$ 19.24		
Exercised	(599,529)	$ 7.39		
Cancelled/forfeited	(2,748,791)	$ 31.19		
Outstanding at December 31, 2018	19,868,781	$ 28.04	7.6	$ 4,592
Vested and expected to vest at December 31, 2018	19,868,781	$ 28.04	7.6	$ 4,592
Exercisable at December 31, 2018	9,342,575	$ 29.50	6.4	$ 4,139

The aggregate intrinsic value of options exercisable as of December 31, 2018 is calculated as the difference between the exercise price of the underlying options and the closing market price of the Company's common stock on that date, which was $16.17 per share. The aggregate intrinsic value of options exercised during the years ended December 31, 2018, 2017, and 2016 was approximately $11.2 million, $24.4 million, and $43.2 million, respectively, determined as of the date of exercise. The Company received $4.4 million in cash from options exercised during the year ended December 31, 2018.

The weighted average per share fair value of options granted during the years ended December 31, 2018, 2017, and 2016 was approximately $12.14, $21.11, and $17.65, respectively. As of December 31, 2018, total unrecognized compensation cost related to stock options was approximately $153.7 million, and the weighted average period over which this cost is expected to be recognized is approximately 3.06 years.

Restricted Stock Units

In 2018, the Company began granting RSUs pursuant to the 2010 Plan and satisfies such grants through the issuance of new shares. RSUs are share awards that, upon vesting, will deliver to the holder shares of the Company's common stock. RSUs generally vest over a four-year period with equal vesting on anniversaries of the grant date.

The following table summarizes the Company's RSU activity during the year ended December 31, 2018:

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2017	—	$ —	
Granted	383,811	$ 21.07	
Vested	—	$ —	
Cancelled/forfeited	(10,105)	$ 21.28	
Outstanding at December 31, 2018	373,706	$ 21.07	$ 6,042,826

As of December 31, 2018, total unrecognized compensation cost related to restricted stock options was approximately $7.5 million, and the weighted average period over which this cost is expected to be recognized is approximately 3.8 years.

Employee Stock Purchase Plan

The Company's 2004 Employee Stock Purchase Plan (the "Purchase Plan") became effective upon the closing of the Company's initial public offering in June 2004. The Purchase Plan included an "evergreen" provision providing that a limited number of additional shares may be added to the shares authorized for issuance on the date of each annual meeting of stockholders for a period of 10 years, which ended with the meeting in 2014. In June 2016, the Company's stockholders approved an amendment to the Purchase Plan to, among other things, increase the aggregate number of shares of common stock authorized for issuance under the plan by 400,000 shares, and at December 31, 2018, a total of 1,925,000 shares of common stock had been reserved for issuance under the Purchase Plan. At December 31, 2018, 154,291 shares of common stock remained available for issuance pursuant to the Purchase Plan. Eligible employees who elect to participate in an offering under the Purchase Plan may have up to 15 percent of their earnings withheld, subject to certain limitations, to purchase shares of common stock pursuant to the Purchase Plan. The price of common stock purchased under the Purchase Plan is equal to 85 percent of the lower of the fair market value of the common stock at the commencement date of each offering period or the relevant purchase date. During the years ended December 31, 2018, 2017, and 2016, a total of 233,720, 192,402, and 136,283 shares of common stock were issued under the Purchase Plan at average per share prices of $15.75, $23.50, and $22.97, respectively. The weighted average per share fair value of purchase rights granted during the years ended December 31, 2018, 2017, and 2016 was $8.25, $11.44, and $12.34, respectively. During the years ended December 31, 2018, 2017, and 2016, the Company recorded cash received from the exercise of purchase rights of $3.7 million, $4.5 million, and $3.1 million, respectively.

Settlement Agreement Proceeds

In April 2016, the Company received a payment of $14.3 million pursuant to a settlement agreement with prior 10% stockholders who sold shares of the Company's stock in 2013 that may have resulted in short-swing profits by the stockholders pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended. The Company recognized these proceeds as a capital contribution from stockholders and reflected a corresponding increase to additional paid-in capital.

7. 401(k) Plan

Effective January 1997, the Company established a deferred compensation plan (the "401(k) Plan") pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), whereby substantially all employees are eligible to contribute up to 60 percent of their pretax earnings, not to exceed amounts allowed under the Code. The Company makes discretionary contributions to the 401(k) Plan equal to 100 percent of each employee's pretax contributions up to 5 percent of his or her eligible compensation, subject to limitations under the Code. The Company's total contributions to the 401(k) Plan were $3.6 million, $3.3 million, and $2.1 million for the years ended December 31, 2018, 2017, and 2016, respectively.

8. Income Taxes

Domestic and foreign pre-tax loss is as follows (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Domestic	(78,112)	$ (45,249)	$ (18,419)
Foreign	(165,824)	(243,035)	(251,633)
	(243,936)	$ (288,284)	$ (270,052)

At December 31, 2018, the Company had federal, state, and foreign net operating loss ("NOL") carryforwards of approximately $393.0 million, $339.0 million, and $771.9 million, respectively. The Company recognized state income tax provisions of $1.3 million, $1.1 million and $1.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. These tax liabilities were associated with California state alternative minimum tax obligations and the apportionment of income to certain state jurisdictions in which the Company did not have corresponding NOLs. Utilization of the domestic NOL and research and development ("R&D") credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred or that could occur in the future, as required by Section 382 of the Code, as well as similar state and foreign provisions. These ownership changes may limit the amount of NOL and R&D credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders or public groups.

The Company previously completed a study to assess whether an ownership change, as defined by Section 382 of the Code, had occurred from the Company's formation through December 31, 2013. Based upon this study, the Company determined that several ownership changes had occurred. Accordingly, the Company reduced its deferred tax assets related to the federal NOL carryforwards and the federal R&D credit carryforwards that are anticipated to expire unused as a result of these ownership changes. These tax attributes were excluded from deferred tax assets with a corresponding reduction of the valuation allowance with no net effect on income tax expense or the effective tax rate. The Company completed a study through December 31, 2018 and concluded no additional ownership changes occurred. Future ownership changes may further limit the Company's ability to utilize its remaining tax attributes.

Federal and state NOL carryforwards of $17.0 million and less than $0.1 million will expire in 2025 and 2024, respectively, unless utilized. The remaining federal and state NOL carryforwards will begin to expire in 2026 and 2025, respectively. At December 31, 2018, the Company had $26.3 million of federal R&D credit carryforwards of which $0.1 million will expire in 2019 unless utilized, and the remaining federal R&D credit carryforwards will begin to expire in 2020. At December 31, 2018, the Company had state R&D credit carryforwards of approximately $0.5 million that will begin to expire in 2024 and $11.3 million that have no expiration date. At December 31, 2018, the Company had foreign NOL carryforwards of approximately $768.5 million that will begin to expire in 2022 and $3.4 million that have no expiration date. The Company continues to record the deferred tax assets related to these attributes, subject to valuation allowance, until expiration occurs.

Prior to the issuance of ASU 2016-09, entities were required to recognize excess tax benefit or deficiency as additional paid-in capital. To simplify the presentation of stock compensation, the amendments in this ASU require that the excess tax benefit or deficiency is recognized as expense. For public business entities, the amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2016 and interim periods within those annual periods. The Company adopted the update as of January 1, 2017. Given the Company's full valuation position there is no quantitative impact to the financial statements.

The components of the deferred tax assets are as follows (in thousands):

	December 31,	
	2018	2017
NOL carryforwards	$ 170,476	$ 163,059
R&D credit carryforwards	32,984	27,862
Capitalized R&D	7,421	5,606
Stock-based compensation	45,492	30,986
Other	14,750	10,110
	271,123	237,623
Valuation allowance	(271,123)	(237,623)
	$ —	$ —

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by approximately $33.5 million in 2018 primarily due to an increase in deferred tax assets generated from net operating losses, R&D credits and stock-based compensation expense, partially offset by the expiration of NOL carryforwards in 2018.

In December 2017, the Tax Cuts and Jobs Act (the “2017 Tax Act”) was enacted. The 2017 Tax Act included a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017. The 2017 Tax Act also provided for a one-time transition tax on certain foreign earnings, the acceleration of depreciation for certain assets placed into service after September 27, 2017 as well as prospective changes beginning in 2018, including repeal of the domestic manufacturing deduction, acceleration of tax revenue recognition, global intangible low taxed income, foreign derived intangible income deduction, additional limitations on executive compensation and limitations on the deductibility of interest.

The Company recognized the income tax effects of the 2017 Tax Act in its 2017 financial statements in accordance with Staff Accounting Bulletin No. 118, which provides SEC staff guidance for the application of ASC Topic 740, *Income Taxes*, in the reporting period in which the 2017 Tax Act was signed into law. As such, the Company’s financial results reflected the income tax effects of the 2017 Tax Act for which the accounting under ASC Topic 740 was complete and provisional amounts for those specific income tax effects of the 2017 Tax Act which were not complete. As of December 31, 2018, the accounting for the income tax effects of the 2017 Tax Act is complete. The effects of the 2017 Tax Act did not have a significant impact in 2018 and are included as part of the overall 2018 provision calculation.

A reconciliation of income taxes to the amount computed by applying the statutory federal income tax rate to the pretax loss is summarized as follows (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Amounts computed at statutory federal rate	$ (51,226)	$ (98,016)	$ (91,818)
Stock-based compensation and other permanent differences	3,432	1,341	3,065
R&D credits	(7,941)	(5,573)	(3,390)
Change in valuation allowance	34,333	(28,230)	27,583
State taxes	(1,017)	(26)	272
Contingencies	2,938	360	361
Foreign rate differential	20,896	61,480	64,065
Tax Cuts and Jobs Act	—	68,889	—
Other	(159)	894	1,203
Income tax expense	$ 1,256	$ 1,119	$ 1,341

The tax years 1998-2017 remain open to examination by the major taxing jurisdictions to which the Company is subject.

The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination. The Company recorded an uncertain tax position reserve of $3.1 million, $0.4 million and $0.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. In addition, due to the 2017 Tax Act, an adjustment of $1.1 million was made to remeasure the uncertain tax position reserve at December 31, 2017. Due to the valuation allowance recorded against the Company's deferred tax assets, an immaterial amount of the total unrecognized tax benefits as of December 31, 2018 would reduce the annual effective tax rate if recognized. The Company does not anticipate that the amount of unrecognized tax benefits as of December 31, 2018 will significantly change within the next twelve months. The Company's practice is to recognize interest and/or penalties related to uncertain income tax positions in income tax expense. The Company had no interest and/or penalties accrued on the Company's consolidated balance sheets at December 31, 2018 or 2017, respectively. Further, the Company did not recognize any interest and/or penalties in the statement of operations for the years ended December 31, 2018, 2017 and 2016, respectively, related to uncertain tax positions.

The following table provides a reconciliation of changes in unrecognized tax benefits (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Balance at beginning of period	$ 1,933	$ 2,664	$ 2,301
Additions related to current period tax positions	3,104	361	363
Provisional impact of Tax Cuts and Jobs Act	—	(1,092)	—
Balance at end of period	$ 5,037	$ 1,933	$ 2,664

9. Commitments and Contingencies

Leases and Other Long-Term Commitments

The Company leases facilities and certain equipment under noncancelable operating leases that expire at various dates through February 2031. Under the terms of the facilities leases, the Company is required to pay its proportionate share of property taxes, insurance and normal maintenance costs. Rent expense for operating leases is recorded on a straight-line basis over the life of the lease term. If an operating lease contains fixed and determinable escalation clauses, the difference between the rent expense and the rent paid is recorded as deferred rent. Rent expense under the Company's facility and equipment leases was $4.5 million, $3.8 million, and $2.8 million, for the years ended December 31, 2018, 2017, and 2016, respectively.

In 2015, the Company entered into a master lease agreement giving the Company the ability to lease vehicles under operating leases with initial terms of 36 months from the date of delivery. In 2018, the lease agreement was terminated and a new master lease agreement was entered into with a new vendor giving the Company the ability to lease vehicles under operating leases with initial terms ranging from 12 to 50 months from the date of delivery. In connection with the new lease agreement, the Company established a letter of credit for $0.4 million, which has automatic annual extensions and is fully secured by restricted cash.

In the fourth quarter of 2018, the Company entered into an agreement to lease approximately 67,020 square feet of corporate office space in San Diego, California, which is anticipated to commence in May 2020, for a term of 10 years and 9 months. The lease also provides the Company with the option to renew the lease term for two additional five year periods. In connection with this lease agreement, the Company established a letter of credit for $2.2 million, which has automatic annual extensions and is fully secured by restricted cash. No rent expense was recognized in 2018 in connection with this lease as the Company did not have access to the leased premises during the period.

The Company also enters into certain other long-term commitments for goods and services that are outstanding for periods greater than one year. To the extent these long-term commitments are noncancelable, they are reflected in the table below.

Estimated annual future minimum payments related to the Company's operating leases and other long-term contractual obligations were as follows at December 31, 2018 (in thousands):

2019	$ 4,770
2020	4,170
2021	6,906
2022	7,181
2023	6,568
Thereafter	38,683
	$ 68,278

The Company also enters into short-term agreements with various vendors and suppliers of goods and services in the normal course of operations through purchase orders or other documentation, or that are undocumented except for an invoice. Such short-term agreements are generally outstanding for periods less than a year and are settled by cash payments upon delivery of goods and services. The nature of the work being conducted under these agreements is such that, in most cases, the services may be stopped on short notice. In such event, the Company would not be liable for the full amount of the agreement and are therefore not reflected in the above table.

Royalty Payments

Pursuant to the terms of its 2006 license agreement with the Ipsen Group, the Company is required to make royalty payments of two percent of net sales of NUPLAZID.

License Agreements

In May 2018, the Company signed an Exclusivity Deed (the "Deed") with Neuren Pharmaceuticals Limited ("Neuren") that provided for exclusive negotiations for a period of three months from the date of the Deed. Under the terms of the Deed, the Company invested $3.1 million to subscribe for 1,330,000 shares of the company and paid $0.9 million for the exclusive right to negotiate a deal with Neuren, which was recorded in selling, general and administrative expenses in the Consolidated Statements of Operations for the twelve months ended December 31, 2018. At December 31, 2018, the Company continues to hold the equity securities as a strategic investment in which the Company does not have a controlling interest or significant influence. Publicly held equity securities are measured using quoted prices in their respective active markets with changes recorded through other expense on the statements of operations. Net loss on strategic investments recognized in other expense in the Consolidated Statements of Operations for the twelve months ended December 31, 2018 was $1.8 million. As of December 31, 2018, the aggregate carrying amount of the Company's strategic equity investment was $1.3 million included in other assets on the Consolidated Balance Sheets.

In August 2018, the Company entered into a license agreement with Neuren and obtained exclusive North American rights to develop and commercialize trofinetide for Rett syndrome and other indications. Under the terms of the agreement, Neuren received an upfront payment of $10.0 million and is eligible to receive milestone payments of up to $455.0 million, based on the achievement of certain development and annual net sales milestones. In addition, Neuren is eligible to receive tiered, escalating, double-digit percentage royalties based on net sales. The license agreement was accounted for as an asset acquisition and the upfront cash payment of $10.0 million has been recorded in research and development expenses in the Consolidated Statements of Operations for the twelve months ended December 31, 2018, as there is no alternative use for the asset.

Corporate Credit Card Program

In connection with the Company's credit card program, the Company established a letter of credit in 2016 for $2.0 million, which has automatic annual extensions and is fully secured by restricted cash.

Legal Proceedings

Between July 19 and August 3, 2018, following recent negative publicity about NUPLAZID, three purported Company stockholders filed putative securities class action complaints (captioned Staublein v. ACADIA Pharmaceuticals, Inc., Case No. 18-cv-01647, Stone v. ACADIA Pharmaceuticals Inc., Case No. 18-cv-01672, and Barglow v. ACADIA Pharmaceuticals Inc., Case No. 18-cv-01812) in the U.S. District Court for the Southern District of California against the Company and certain of its current and former executive officers. The complaints generally allege that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false and misleading statements regarding the Company's business, operations, and prospects by failing to disclose that adverse events and safety concerns regarding NUPLAZID threatened initial and continuing FDA approval, and by failing to disclose that the Company engaged in business practices likely to attract regulatory scrutiny. The complaints seek unspecified monetary damages and other relief. Several putative lead plaintiffs filed motions to consolidate the cases and to appoint a lead plaintiff. On January 3, 2019, the court consolidated the cases under Case No. 18-cv-01647 and took the lead plaintiff motions under submission. The defendants' response to the complaints is stayed pending resolution of the lead plaintiff motions. The Company has assessed such legal proceedings, and given the unpredictability inherent in litigation, the Company cannot predict the outcome of these matters. At this time, the Company is unable to estimate possible losses or ranges of losses that may result from such legal proceedings, and it has not accrued any amounts in connection with such legal proceedings other than ongoing attorneys' fees.

Government Investigation

In September 2018 the Company received a civil investigative demand ("CID") from the Department of Justice ("DOJ") requesting certain documents and information related to the Company's sales and marketing of NUPLAZID. The Company is cooperating with the DOJ's request. Responding to the CID will require considerable resources and no assurance can be given as to the timing or outcome of the DOJ's investigation.

10. Selected Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Summarized quarterly data for the years ended December 31, 2018 and 2017 are as follows (in thousands, except per share data):

	Fiscal Year 2018 Quarters				
	1st	2nd	3rd	4th	Total
Revenues	$ 48,868	$ 57,063	$ 58,305	$ 59,571	$ 223,807
Gross profit(1)	$ 46,715	$ 53,501	$ 54,466	$ 56,748	$ 211,430
Net loss	$ (54,296)	$ (63,266)	$ (62,138)	$ (65,492)	$ (245,192)
Basic and diluted net loss per share(2)	$ (0.44)	$ (0.51)	$ (0.50)	$ (0.50)	$ (1.94)

	Fiscal Year 2017 Quarters				
	1st	2nd	3rd	4th	Total
Revenues	$ 15,286	$ 30,475	$ 35,578	$ 43,562	$ 124,901
Gross profit(1)	$ 13,023	$ 28,251	$ 33,443	$ 41,107	$ 115,824
Net loss	$ (87,843)	$ (67,441)	$ (65,248)	$ (68,871)	$ (289,403)
Basic and diluted net loss per share(2)	$ (0.72)	$ (0.55)	$ (0.53)	$ (0.55)	$ (2.36)

(1) Determined by subtracting cost of product sales from product sales, net.

(2) Net loss per common share, basic and diluted, are computed independently for each quarter and the full year based upon respective average shares outstanding. Therefore, the sum of the quarterly net loss per common share amounts may not equal the annual amounts reported.

SCHEDULE II – Valuation and Qualifying Accounts
(in thousands)

	Balance at Beginning of Period	Additions: Provision Related to Current Period Sales	Deductions: Actual Distribution Fees, Discounts and Chargebacks Related to Current Period Sales	Deductions: Actual Distribution Fees, Discounts and Chargebacks Related to Prior Period Sales	Balance at End of Period
Allowance for distribution fees, discounts and chargebacks:					
For the year ended December 31, 2016	$ —	$ 2,163	$ (1,962)	$ —	$ 201
For the year ended December 31, 2017	$ 201	$ 12,837	$ (12,591)	$ (201)	$ 246
For the year ended December 31, 2018	$ 246	$ 24,613	$ (22,773)	$ (246)	$ 1,840

FORM OF AMENDED AND RESTATED WARRANT

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE SECURITIES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, TRANSFERRED OR ASSIGNED IN **THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER APPLICABLE SECURITIES LAWS OR UNLESS OFFERED, SOLD, PLEDGED, HYPOTHECATED OR TRANSFERRED PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS. THE COMPANY SHALL BE ENTITLED TO REQUIRE AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED TO THE EXTENT THAT AN OPINION IS REQUIRED PURSUANT TO THE AGREEMENT UNDER WHICH THE SECURITIES WERE ISSUED.**

ACADIA PHARMACEUTICALS INC.
AMENDED AND RESTATED WARRANT TO PURCHASE COMMON STOCK

A. [Holder], a [Delaware limited partnership], and ACADIA Pharmaceuticals Inc., a Delaware corporation, previously entered into a Warrant, dated as of December 17, 2012 (the "***Original Warrant***").

B. In order to amend the exercise period in the Original Warrant, the parties hereto have agreed, in accordance with Section 11 of the Original Warrant, to amend and restate the Original Warrant on the terms set forth herein.

C. The text of the Original Warrant is hereby amended and restated in its entirety to read as follows:

Warrant Certificate No.: CW-29
Original Issue Date: December 17, 2012
Amendment Date: [_____], 2019

THIS CERTIFIES THAT, for value received, *[Holder]*, with its principal office at [Address], or assigns (the "***Holder***"), is entitled to subscribe for and purchase at the Exercise Price (defined below) from ACADIA Pharmaceuticals Inc., a Delaware corporation, with its principal office at 3611 Valley Centre Drive, Suite 300, San Diego, CA 92130 (the "***Company***"), up to [Number] shares of the Common Stock of the Company (the "***Common Stock***"), subject to adjustment as provided herein. This Warrant is one of a series of Warrants being issued pursuant to the terms of the Securities Purchase Agreement, dated December 12, 2012, by and among the Company and the original Holder of this Warrant and the other parties named therein (the "***Purchase Agreement***"). Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to such terms in the Purchase Agreement.

1. DEFINITIONS. As used herein, the following terms shall have the following respective meanings:

(a) "***Exercise Price***" shall mean $0.01 per share, subject to adjustment pursuant to Section 5 below.

(b) "***Exercise Shares***" shall mean the shares of the Company's Common Stock issued upon exercise of this Warrant, subject to adjustment pursuant to the terms herein, including but not limited to adjustment pursuant to Section 5 below.

2. EXERCISE OF WARRANT.

2.1 Method of Exercise. The rights represented by this Warrant may be exercised in whole or in part at any time, subject to Section 2.5, by delivery of the following to the Company at its address set forth above (or at such other address as it may designate by notice in writing to the Holder):

(a) An executed Notice of Exercise in the form attached hereto;

(b) Payment of the Exercise Price either (i) in cash or by check or wire transfer of immediately available funds, or (ii) pursuant to a Cashless Exercise, as described below; and

(c) This Warrant.

Upon the exercise of the rights represented by this Warrant, shares of Common Stock shall be issued for the Exercise Shares so purchased, and shall be registered in the name of the Holder or persons affiliated with the Holder, if the Holder so designates, within a reasonable time after the rights represented by this Warrant shall have been so exercised and shall be issued in certificate form and delivered to the Holder, if so requested. The rights represented by this Warrant shall have no termination date.

The person in whose name any Exercise Shares are to be issued upon exercise of this Warrant shall be deemed to have become the holder of record of such shares on the date on which this Warrant was surrendered and payment of the Exercise Price was made, irrespective of the date of issuance of the shares of Common Stock, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

2.2 Cashless Exercise. Notwithstanding any provisions herein to the contrary, if the Current Market Price (as defined below) of one share of Common Stock is greater than the Exercise Price (at the date of calculation as set forth below), in lieu of exercising this Warrant by payment of cash, the Holder may exercise this Warrant by a cashless exercise by surrender of this Warrant at the principal office of the Company together with the properly endorsed Notice of Exercise and the Company shall issue to the Holder a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(B-A)}{B}$$

Where:

X = the number of shares of Common Stock to be issued to the Holder.

Y = the number of shares of Common Stock purchasable upon exercise of all of the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised.

A = the Exercise Price.

B = the Current Market Price of one share of Common Stock.

"***Current Market Price***" means on any particular date:

(a) if the Common Stock is traded on The Nasdaq Global Market or The Nasdaq Capital Market, the closing price of the Common Stock of the Company on such market on the day prior to the applicable date of valuation;

(b) if the Common Stock is traded on any registered national stock exchange but is not traded on The Nasdaq Global Market or The Nasdaq Capital Market, the closing price of the Common Stock of the Company on such exchange on the day prior to the applicable date of valuation;

(c) if the Common Stock is traded over-the-counter, but not on The Nasdaq Global Market, The Nasdaq Capital Market or a registered national stock exchange, the closing bid price of the Common Stock of the Company on the day prior to the applicable date of valuation; and

(d) if there is no active public market for the Common Stock, the value thereof, as determined in good faith by the Board of Directors of the Company upon due consideration of the proposed determination thereof by the Holder.

2.3 Partial Exercise. If this Warrant is exercised in part only, the Company shall, upon surrender of this Warrant, execute and deliver, within 10 days of the date of exercise, a new Warrant evidencing the rights of the Holder, or such other person as shall be designated in the Notice of Exercise, to purchase the balance of the Exercise Shares purchasable hereunder. In no event shall this Warrant be exercised for a fractional Exercise Share, and the Company shall not distribute a Warrant exercisable for a fractional Exercise Share. Fractional Warrant shares shall be treated as provided in Section 6 hereof.

2.4 No Settlement for Cash. The Warrant cannot be settled with the Company for cash.

2.5 Exercise Limitation. The Company shall not effect the exercise of this Warrant and the Holder shall not have the right to exercise this Warrant, to the extent that after giving effect to such exercise, the Holder (together with the Holder's affiliates or any member of a Section 13(d) group of which the Holder or its affiliate is a member ("***Other Group Member***")) would beneficially own in excess of 19.99% (the "***Maximum Percentage***") of the shares of Common Stock outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned by such Holder and its affiliates and any Other Group Members shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude shares of Common Stock which would be issuable upon (i) exercise of the remaining, unexercised portion of this Warrant beneficially owned by such Holder and its affiliates and any Other Group Members to the extent that that the exercise of such unexercised portion would result in the issuance of shares of Common Stock in excess of the Maximum Percentage and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by such Holder and its affiliates and any Other Group Members (including, without limitation, any convertible notes or convertible preferred stock or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein. For purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "***1934 Act***"). For purposes of this Warrant, in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Form 10-Q or Form 10-K, as the case may be, filed with the SEC on the date thereof, (y) a more recent public announcement by the Company or (z) any other notice by the Company or its transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written request of the Holder, the Company shall within three trading days confirm in writing or by electronic mail to the Holder the number of shares of Common Stock then outstanding. By written notice to the Company, the Holder may from time to time increase or decrease the Maximum Percentage to any other percentage not in excess of 19.99% specified in such notice; provided that (i) any such increase will not be effective until the sixty-fifth (65th) day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to the Holder and not to any other holder of Warrants. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this paragraph to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. Notwithstanding any of the limitations set forth in this paragraph, this Warrant shall be fully exercisable in connection with a Liquidation Event (as defined below); provided further that this sentence shall not be given effect to the extent it could conflict with the stockholder approval rules of The NASDAQ Global Market or any similar rule of any stock exchange on which the Common Stock is listed at the relevant time. In accordance with such listing standards, this restriction will apply at any time when the Warrant is outstanding, regardless of whether the Company then has a class of securities listed on The NASDAQ Global Market. For purposes herein, "***Liquidation Event***" shall mean the consummation of any of the following transactions: (a) a merger or consolidation in which the Company is not the surviving entity (other than a merger or consolidation with a wholly owned subsidiary, a reincorporation or continuation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the shareholders of the Company), (b) the sale of all or substantially all of the assets of the Company, or (c) the acquisition, sale or transfer of more than 50% of the outstanding shares of the Company by take-over bid or similar transaction.

3. COVENANTS OF THE COMPANY.

3.1 Covenants as to Exercise Shares. The Company covenants and agrees that all Exercise Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued and outstanding, fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issuance thereof. The Company further covenants and agrees that the Company will at all times have authorized and reserved, free from preemptive rights, a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant. If at any time, the number of authorized but unissued shares of Common Stock shall not be sufficient to permit exercise of this

Warrant, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock (or other securities as provided herein) to such number of shares as shall be sufficient for such purposes.

3.2 No Impairment. Except and to the extent as waived or consented to by the Holder or otherwise in accordance with Section 11 hereof, the Company will not, by amendment of its Certificate of Incorporation (as such may be amended from time to time), or through any means, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Holder against impairment.

3.3 Notices of Record Date. In the event of any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend which is the same as cash dividends paid in previous quarters) or other distribution, the Company shall mail to the Holder, at least 10 days prior to the date specified herein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

3.4 Distributions. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) (the "***Distributed Property***") to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "***Distribution***"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled, upon exercise of this Warrant for the purchase of any or all of the Exercise Shares, to receive the amount of Distributed Property which would have been payable to the Holder had such Holder been the holder of such Exercise Shares on the record date for the determination of the stockholders entitled to receive such Distributed Property. The Company will at all times set aside in escrow and keep available for distribution to such Holder upon exercise of this Warrant a portion of the Distributed Property to satisfy the distribution to which such Holder is entitled pursuant to the preceding sentence.

3.5 Fundamental Transactions. If the Company consummates (i) a merger or consolidation with or into another entity, as a result of which the holders of the Company's outstanding voting securities as of immediately prior to such merger or consolidation hold less than a majority of the outstanding voting securities of the surviving or successor entity as of immediately after such merger or consolidation or (ii) a sale, transfer or other disposition of all or substantially all its property, assets or business to another person or entity (any such transaction being hereinafter referred to as a ***"Fundamental Transaction"***), then the Company shall ensure that lawful and adequate provision shall be made whereby the Holder shall thereafter have the right to purchase and receive upon the basis and upon the terms and conditions herein specified and in lieu of the Exercise Shares immediately theretofore issuable upon exercise of this Warrant, such shares of stock, securities or assets as would have been issuable or payable with respect to or in exchange for a number of Exercise Shares equal to the number of Exercise Shares immediately theretofore issuable upon exercise of this Warrant, had such Fundamental Transaction not taken place. The provisions of this Section 3.5 shall similarly apply to successive consolidations, mergers, sales, transfers or other dispositions.

4. REPRESENTATIONS OF HOLDER

4.1 Acquisition of Warrant for Personal Account. The Holder represents and warrants that it is acquiring the Warrant and the Exercise Shares solely for its account for investment and not with a present view toward the public or distribution of said Warrant or Exercise Shares or any part thereof and has no intention of selling or distributing said Warrant or Exercise Shares or any arrangement or understanding with any other persons regarding the sale or distribution of said Warrant or, except in accordance with the provisions of Article 6 of the Purchase Agreement, the Exercise Shares, and except as would not result in a violation of the Securities Act. The Holder will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) the Warrant except in accordance with the Securities Act and will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) the Exercise Shares except in accordance with the provisions of Article 6 of the Purchase Agreement or pursuant to and in accordance with the Securities Act.

4.2 Securities Are Not Registered.

(a) The Holder understands that the offer and sale of the Warrant or the Exercise Shares have

not been registered under the Securities Act on the basis that no distribution or public offering of the stock of the Company is to be effected. The Holder realizes that the basis for the exemption may not be present if, notwithstanding its representations, the Holder has a present intention of acquiring the securities for a fixed or determinable period in the future, selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the securities. The Holder has no such present intention.

(b) The Holder recognizes that the Warrant and the Exercise Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Holder recognizes that the Company has no obligation to register the Warrant or, except as provided in the Purchase Agreement, the Exercise Shares of the Company, or to comply with any exemption from such registration.

(c) The Holder is aware that neither the Warrant nor the Exercise Shares may be sold pursuant to Rule 144 adopted under the Securities Act unless certain conditions are met, including, among other things, the existence of a public market for the shares, the availability of certain current public information about the Company, the resale following the required holding period under Rule 144 and the number of shares being sold during any three month period not exceeding specified limitations. Holder is aware that any such sale made in reliance on Rule 144, if Rule 144 is available, may be made only in accordance with the terms of Rule 144.

4.3 Disposition of Warrant and Exercise Shares.

(a) The Holder further agrees not to make any disposition of all or any part of the Warrant or Exercise Shares in anyevent unless and until:

(i) The Company shall have received a letter secured by the Holder from the SEC stating that no action will be recommended to the SEC with respect to the proposed disposition;

(ii) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or

(iii) The Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, the Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, for the Holder to the effect that such disposition will not require registration of such Warrant or Exercise Shares under the Securities Act or any applicable state securities laws; *provided*, that no opinion shall be required for any disposition made or to be made in accordance with theprovisions of Rule 144.

(b) The Holder understands and agrees that all certificates evidencing the Exercise Shares to be issued to the Holder may bear a legend in substantially the following form; *provided*, that such legend shall be removed (or such Exercise Shares shall be issued without such legend upon exercise of this Warrant) as required pursuant to Section 3.8(b) of the Purchase Agreement:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE SECURITIES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, TRANSFERRED OR ASSIGNED IN **THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER APPLICABLE SECURITIES LAWS, OR UNLESS OFFERED, SOLD, PLEDGED, HYPOTHECATED OR TRANSFERRED PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS. THE COMPANY SHALL BE ENTITLED TO REQUIRE AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED TO THE EXTENT THAT AN OPINION IS REQUIRED PURSUANT TO THE AGREEMENT UNDER WHICH THE SECURITIES WERE ISSUED.**

5. ADJUSTMENT OF EXERCISE PRICE. In the event of changes in the outstanding Common Stock of the Company by reason of stock dividends, split-ups, recapitalizations, reclassifications, combinations or exchanges of shares, separations, reorganizations, liquidations, or the like, the number and class of shares available under the Warrant in the aggregate and the Exercise Price shall be correspondingly adjusted to give the Holder of the Warrant, on exercise for the same aggregate Exercise Price, the total number, class, and kind of shares as the Holder would have owned had the Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment. The form of this Warrant need not be changed because of any adjustment in the number, class, and kind of shares subject to this Warrant. The Company shall promptly provide a certificate from its Chief Financial Officer notifying the Holder in writing of any

adjustment in the Exercise Price and/or the total number, class, and kind of shares issuable upon exercise of this Warrant, which certificate shall specify the Exercise Price and number, class and kind of shares under this Warrant after giving effect to such adjustment.

6. FRACTIONAL SHARES. No fractional shares shall be issued upon the exercise of this Warrant as a consequence of any adjustment pursuant hereto. All Exercise Shares (including fractions) issuable upon exercise of this Warrant may be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. If, after aggregation, the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, pay the Holder otherwise entitled to such fraction a sum in cash equal to the product resulting from multiplying the then current fair market value of an Exercise Share by such fraction.

7. CERTAIN EVENTS. In the event of any capital reorganization, or any reclassification of the capital stock of the Company (other than a change in par value or from par value to no par value or no par value to par value or as a result of a stock dividend or subdivision, split-up or combination of shares), or the consolidation or merger of the Company with or into another corporation (other than a merger solely to effect a reincorporation of the Company into another state), in each case, in which the stockholders of the Company immediately prior to such capital reorganization, reclassification, consolidation or merger, will hold less than a majority of the outstanding shares of the Company or resulting corporation immediately after such capital reorganization, reclassification, consolidation or merger, or the sale or other disposition of all or substantially all of the properties and assets of the Company and its subsidiaries, taken as a whole, in its entirety to any other person, other than sales or other dispositions that do not require stockholder approval (each, an "***Event***"), the Company shall provide to the Holder 10 days' advance written notice of such Event, and the Holder shall have the option, in its sole discretion, to allow any unexercised portion of the Warrant to be deemed automatically exercised pursuant to Section 2.2, subject to Section 2.5. This Warrant will be binding upon the successors and assigns of the Company upon an Event.

8. NO STOCKHOLDER RIGHTS. This Warrant in and of itself shall not entitle the Holder to any voting rights or other rights as a stockholder of the Company.

9. TRANSFER OF WARRANT. Subject to applicable laws and compliance with Section 4.3 hereof, this Warrant and all rights hereunder are transferable, by the Holder in person or by duly authorized attorney, upon delivery of this Warrant and the form of assignment attached hereto to any transferee designated by Holder. The transferee shall sign an investment letter in form and substance satisfactory to the Company.

10. LOST, STOLEN, MUTILATED OR DESTROYED WARRANT. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed. Any such new Warrant shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant shall be at any time enforceable by anyone.

11. MODIFICATIONS AND WAIVER. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the Company and (i) Purchasers holding Warrants representing at least 80% of the number of Exercise Shares then issuable upon exercise of the Warrants sold in the Offering, *provided, however,* that such modification, amendment or waiver is made with respect to all Warrants issued in the Offering and does not adversely affect the Holder without adversely affecting all holders of Warrants in a similar manner; or (ii) the Holder.

12. NOTICES, ETC. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed email, telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (c) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at the address listed on the signature page and to the Holders at the addresses on the Company records, or at such other address as the Company or Holder may designate by 10 days' advance written notice to the other party hereto.

13. ACCEPTANCE. Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

14. GOVERNING LAW. This Warrant and all rights, obligations and liabilities hereunder shall be governed by the laws of the State of New York without regard to the principles of conflict of laws.

15. DESCRIPTIVE HEADINGS. The descriptive headings of the several paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. The language in this Warrant shall be construed as to its fair meaning without regard to which party drafted this Warrant.

16. SEVERABILITY. The invalidity or unenforceability of any provision of this Warrant in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction, or affect any other provision of this Warrant, which shall remain in full force and effect.

17. ENTIRE AGREEMENT. This Warrant constitutes the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and undertakings of the parties, whether oral or written, with respect to such subject matter.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Amended and Restated Warrant to be executed by its duly authorized officer as of _____, 2019.

ACADIA PHARMACEUTICALS INC.

By: _____

Name: _____

Title: Executive Vice President, General Counsel & Secretary

Address: 3611 Valley Centre Drive, Suite 300
San Diego, CA 92130
Attention: General Counsel Facsimile: (858) 320-8637

NOTICE OF EXERCISE

TO: ACADIA PHARMACEUTICALS INC.

(1) The undersigned hereby elects to (check one box only):

☐ purchase shares of the Common Stock of ACADIA Pharmaceuticals Inc. (the "***Company***") pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full for such shares, together with all applicable transfer taxes, if any.

☐ purchase the number of shares of Common Stock of the Company by cashless exercise pursuant to the terms of the Warrant as shall be issuable upon cashless exercise of the portion of the Warrant relating to shares, and shall tender payment of all applicable transfer taxes, if any.

(2) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

_____
(Name)

_____
(Address)

(3) The undersigned represents that (i) the aforesaid shares of Common Stock are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares; (ii) the undersigned is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision regarding its investment in the Company; (iii) the undersigned is experienced in making investments of this type and has such knowledge and background in financial and business matters that the undersigned is capable of evaluating the merits and risks of this investment and protecting the undersigned's own interests; (iv) the undersigned understands that the shares of Common Stock issuable upon exercise of this Warrant have not been registered under the Securities Act of 1933, as amended (the "***Securities Act***"), by reason of a specific exemption from the registration provisions of the Securities Act, which exemption depends upon, among other things, the bona fide nature of the investment intent as expressed herein, and, because such securities have not been registered under the Securities Act, they must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available; (v) the undersigned is aware that the aforesaid shares of Common Stock may not be sold pursuant to Rule 144 adopted under the Securities Act unless certain conditions are met and until the undersigned has held the shares for the time period prescribed by Rule 144, that among the conditions for use of the Rule is the availability of current information to the public about the Company and that the Company has not made such information available and has no present plans to do so; and (vi) the undersigned agrees not to make any disposition of all or any part of the aforesaid shares of Common Stock unless and until there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said registration statement, or the undersigned has furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, to the effect that such disposition is not required to be registered pursuant to the Securities Act or any applicable state securities laws; *provided*, that no opinion shall be required for any disposition made or to be made in accordance with the provisions of Rule 144.

(Date) (Signature)

(Print name)

Number of Shares beneficially owned by the Holder, its affiliates and any Other Group Members: _____

ASSIGNMENT FORM

(To assign the foregoing Warrant, subject to compliance with Section 4.3 hereof, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name:
(Please Print)
Address:

(Please Print)
Dated: _____, 20___
Holder's Signature:

Holder's Address:

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 10.26

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(c) and Rule 24b-2**

Neuren Pharmaceuticals Limited

and

ACADIA Pharmaceuticals Inc.

Licence Agreement

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THIS LICENCE AGREEMENT is made on August 6, 2018

PARTIES

NEUREN PHARMACEUTICALS LIMITED
of Suite 201, 697 Burke Road, Camberwell, Victoria, 3124, Australia
("**Neuren**")

and

ACADIA PHARMACEUTICALS INC.
of 3611 Valley Centre Drive, Suite 300, San Diego, California, USA
("**ACADIA**")

BACKGROUND

A Neuren is the owner of the Neuren IP and is entitled to grant ACADIA a licence to use the Neuren IP.

B Subject to the terms and conditions of this Agreement, Neuren has agreed to grant ACADIA an exclusive licence to use the Neuren IP to make, use, sell, offer for sale, import, manufacture, market, promote, and distribute the Compound and any Product within the Field within the Territory.

C The parties have agreed to conduct a co-development program in respect of the Compound as set out in this Agreement.

AGREED TERMS

1 Definitions and Interpretation

1.1 Definitions

In this Agreement, unless the context requires otherwise:

"**Affiliate**" means, with respect to a party to this Agreement, any person, corporation, partnership, or other entity that controls, is controlled by, or is under common control with that party. For the purposes of this definition, the word "control" (including, with correlative meaning, the terms "controlled by" or "under the common control with") means the actual power, either directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of such entity, whether by the ownership of 50% or more of the voting stock of such entity, or by contract or otherwise.

"**Agreement**" means this agreement including the recitals, any schedules and any annexures.

"**Alliance Manager**" has the meaning given to that term in clause 4.5(a).

"**Business Day**" means a day other than a Saturday, Sunday or public holiday in Melbourne, Victoria, or San Diego, California (as appropriate).

"**Change of Control**" of any Party means any of the following:

(a) either

(i) a Third Party acquires directly or indirectly the beneficial ownership of voting securities of such Party; or

(ii) the beneficial ownership by a Third Party of voting securities of such Party is increased through stock redemption, cancellation or other recapitalization,

in either case of paragraph (a)(i) or (ii), where

(A) such Third Party is, directly or indirectly, the beneficial owner of voting securities representing less than 50% of the total voting power of all of the then-outstanding voting securities of such Party immediately prior to such acquisition or increase; and

(B) immediately after such acquisition or increase such Third Party is, directly or indirectly, the beneficial owner of voting securities representing more than 50% of the total voting power of all of the then-outstanding voting securities of such Party;

(b) the consummation of a merger, consolidation, recapitalization, or reorganization of such Party, in which transaction the beneficial owners of outstanding voting securities of such Party immediately prior to such transaction do not beneficially own, directly or indirectly, at least 50% of the total voting power of all of the then-outstanding voting securities of the surviving entity (or its parent entity) immediately following such transaction;

(c) the stockholders or equity holders of such Party approve a plan of complete liquidation of such Party, or an agreement for the sale or disposition by such Party of all or a substantial portion of such Party's assets, other than pursuant to the transaction as described above or to an Affiliate; or

(d) the sale or other transfer to a Third Party of all or substantially all of such Party's assets, including those relating to the Compound and Product.

"**CMC**" means chemistry manufacturing and controls.

"**Commencement Date**" means the date of execution of this Agreement by the last party to execute it.

"**Commercialize**" and "**Commercialization**" means all activities undertaken with respect to or in support of the marketing, promotion, selling, offering for sale, and distribution (including importing, exporting, transporting, customs clearance, warehousing, invoicing, handling and delivering the applicable Product to customers) of any Product, including manufacturing Product for commercial sale, planning, market research, Pre-Marketing, sales force efforts, detailing, advertising, educating, marketing, the creation and approval of Promotional Materials, promoting, importing, exporting, sales, distributing, pricing, customer and government contracting, and medical affairs, including post-marketing safety surveillance and reporting, medical education, medical information, clinical science liaison activities, health economics and outcomes research, publications and investigator initiated research studies.

"**Commercialization Plan**" has the meaning given to that term in clause 7.4.

"**Commercially Reasonable Efforts**" means, in respect of a party, those efforts and resources consistent with the usual practices of that party in pursuing the Development or Commercialization of its own pharmaceutical products that are of similar market potential as the Compound or the relevant Product, taking into account all relevant

factors including product labelling or anticipated labelling, present and future market potential, past performance of the Compound or the relevant Product and such party's other pharmaceutical products that are of similar market potential, financial return, medical and clinical considerations, present and future regulatory environment and competitive market conditions, all as measured by the facts and circumstances at the time such efforts are due, and considering, without limitation, the following factors in assessing the efforts and resources used by such party:

(a) prompt assignment of responsibility for the relevant obligation to appropriate personnel who are responsible for monitoring progress on an on-going basis;

(b) establishment and measurement of achievement of objectives for carrying out such obligations; and

(c) allocation of resources designed to allow progress with respect to such objectives.

"**Competing Product**" means any product, other than the Compound and Product, being developed or commercialized for any indication for which development or commercialization of any Compound or Product is being undertaken by the parties under this Agreement or is otherwise subject to a Development Plan under discussion by the JSC or approved by the JSC and being executed, including Rett Syndrome, Fragile X Syndrome, and any additional indication the parties elect to pursue pursuant to clause 5.5 herein.

"**Compound**" means:

(a) Trofinetide, also known as NNZ-2566, having the structure set forth in Exhibit A, including all salts, esters, mixtures, hydrates, isomers, solvates, complexes, isotopalogs, polymorphs, resinates, metabolites, impurities, or degradation products of trofinetide; and

(b) Each of the other compounds that fall within the scope of the formulae set forth in the specifications of the Patents, excluding compounds within the scope of the claims of US patent numbers […***…].

"**Confidential Information**" means confidential documents, technology, Know-how or other information (whether or not patentable) actually disclosed or made available by one party or its Affiliates to the other party or its Affiliates pursuant to this Agreement or the Prior Confidentiality Agreement, including without limitation all confidential information regardless of form that relates to the disclosing party, its Affiliates, and their businesses or affairs, any Methodology and any Know-how transferred from one party to the other party pursuant to clause 3.6.

"**Control**" means, with respect to any Patent, Know-how, trademark or other intellectual property rights, ownership or possession by a party or any of its Affiliates of the ability (without taking into account any rights granted by one party to the other party under the terms of this Agreement) to grant access, a license or a sublicense to such Patent, Know-how, trademark or other intellectual property right without violating the terms of any agreement or other arrangement with, or necessitating the consent of, any Third Party, at such time that the party would be first required under this Agreement to grant the other party such access, license or sublicense.

"**Development**" means all activities described in clause 5, and otherwise conducted in pursuit of new and revised Marketing Authorisations.

"**Development Milestone Fees**" means the development milestone fees specified in Part 2 of the Fee Schedule.

"**Development Plan**" means a plan for Development of the Compound and Product as referred to in clause 5.

"**Encumbrance**" means any mortgage, lien, hypothecation, charge (whether fixed or floating), bill of sale, caveat, pledge, claim, trust arrangement, preferential right, right of set-off, title retention or other form of encumbrance.

"**Exclusivity Period**" means, on a country by country basis in the Territory, and Product by Product basis, the period commencing on the Commencement Date and ending on the later to occur of:

(a) the date of expiry of the last Valid Claim that would be infringed by an authorised sale of the relevant Product in the relevant country;

(b) the date of expiry of the term of any data exclusivity right in such country; and

(c) 10 years after the date of the First Commercial Sale of the Product in such country.

"**FDA**" means the United States of America Food and Drug Administration or its successor.

"**FDA Approval**" means the approval by the FDA for a New Drug Application made in respect of any Product.

"**Fees**" means the Phase II Reimbursement Fee, the Development Milestone Fees and the Sales Milestone Fees.

"**Field**" means any and all uses of the Compound or any Product, including in Rett Syndrome and Fragile X Syndrome.

"**First Commercial Sale"** means, the first sale or transfer of a Product in a given country or other regulatory jurisdiction in the Territory by or on behalf of ACADIA or its Sub-Distributor to a third party, other than for evaluation, research or clinical trial purposes or any not-for-profit or compassionate uses, in exchange for cash or some equivalent to which value can be assigned, and following receipt in that part of the Territory of all Marketing Authorisations and other approvals necessary to sell or transfer that Product in that part of the Territory.

"**Generic Product**" means, on a Product-by-Product and country-by-country basis, any pharmaceutical product sold by a third party, other than as a Sub-Licensee to this Agreement that:

(a) contains the same active ingredients as the applicable Product, in the same dosage form (e.g., oral) as the applicable Product;

(b) is approved by the regulatory authority in such country as a substitutable generic for such Product; or

(c) is approved in the applicable field by a regulatory authority pursuant to an NDA (or an equivalent application for regulatory approval filed outside the U.S.), contains the active ingredients in the Product, and relies on the finding of safety and/or effectiveness in the regulatory approval of the Product.

"**Government Agency**" means:

(a) a government or government department;

(b) a governmental, semi-governmental, regulatory or judicial entity or authority; or

(c) a person (whether autonomous or not) who is charged with the administration of a law.

"**Improvements**" means any improvement, modification, adaption, innovation or invention specifically relating to any Compound, any Product, Methodology or the Neuren IP, whether patentable or not, discovered, made, conceived or generated in the course of activities conducted by or on behalf of a party or its Affiliates (or jointly by both parties or their Affiliates) pursuant to this Agreement, including all Know-how in respect of same, and any test results and other data generated by or on behalf of any party or its Affiliates in respect of any Compound or Product or any Marketing Authorisation of any Product.

"**IND**" means an Investigational New Drug Application filed with the FDA in the United States of America or a corresponding application filed with a Government Agency in any other country in the Territory, in each case together with all amendments and supplements thereto.

"**Infringement**" means:

(a) any actual or alleged infringement by a Third Party of any part of the Neuren IP, including pursuant to a Paragraph IV Patent Certification by a Third Party filing an Abbreviated New Drug Application (i.e., an action under the Hatch-Waxman Act); or

(b) any person alleging that use or exploitation of any part of the Neuren IP infringes any rights of that person.

"**Intellectual Property Rights**" means all intellectual and industrial property rights of whatever nature (whether or not registered or registrable) including, but not limited to:

(a) patents, copyrights, designs, trademarks, trade secrets, Know-how and the right to have Confidential Information kept confidential; and

(b) any application or right to apply for registration of any of the rights in paragraph (a) and all renewals and extensions of those rights.

"**JSC**" means the Joint Steering Committee established and operated in accordance with clause 4.

"**Joint Improvement**" means an Improvement made or acquired jointly by Neuren and ACADIA in accordance with clause 16.4.

"**Know-how**" means any information, ideas, data, inventions, methods, processes, techniques, discoveries, works of authorship, data, results, trade secrets, technology, or materials, including formulations, molecules, assays, reagents, compounds, compositions, human or animal tissue, samples or specimens, and combinations or components thereof, whether or not proprietary or patentable, or public or confidential, and whether stored or transmitted in oral, documentary, electronic or other form, including all regulatory documentation, but excluding any such information or materials publicly disclosed in Patents.

"**Marketing Authorisations**" means the approval of a marketing authorisation application, or any equivalent authorisation, in respect of a Product that is made by a Government Agency located in the Territory and which, once granted, entitles a party to market and sell that Product in that part of the Territory and in respect of the United States of America, includes the FDA Approval. Marketing Authorisations do not include INDs.

"**Methodology**" means the methodology developed by a party or its Affiliates, and any information related to such methodology provided to the other party by a party or its Affiliates from time to time (in whatever form), in each case relating to the design, Development, manufacture, production or distribution of a Product, including any Improvements to such methodology.

"**NDA**" means a New Drug Application filed with the FDA in the United States of America or a corresponding application filed with a Government Agency in any other country in the Territory, in each case together with all amendments and supplements thereto.

"**Net Revenue**" means, with respect to a Product in a country or territory, the gross amount invoiced by ACADIA, ACADIA Affiliates and any Sub-Licensee to unrelated third parties, excluding any Sub-Licensee, for any sale or disposition of that Product in that country or territory (as applicable), less the following deductions to the extent that they are directly related and applicable to sales of the Product:

(a) trade, quantity and cash discounts allowed;

(b) commissions, discounts, refunds, rebates (including, but not limited to, wholesaler inventory management fees), chargebacks, retroactive price adjustments, and any other allowances which effectively reduce the net selling price;

(c) actual Product returns and allowances; and

(d) any tax imposed on the production, sale, delivery or use of that Product, including, without limitation, sales, use, excise or value added taxes provided that such tax is included in the gross invoiced amount and a bona fide deduction from gross invoiced sales in ACADIA's external reporting of sales of that Product under U.S. Generally Accepted Accounting Principles ("**US GAAP**").

Such amounts shall be determined from the books and records of ACADIA, ACADIA Affiliates and Sub-Licensees, maintained in accordance with US GAAP or, in the case of ACADIA Affiliates and Sub-Licensees, such similar accounting principles, consistently applied. ACADIA further agrees in determining such amounts, it will use ACADIA's then current standard procedures and methodology, including ACADIA's then current standard exchange rate methodology for the translation of foreign currency sales into U.S. Dollars or, in the case of ACADIA Affiliates and Sub-Licensees, such similar methodology, consistently applied.

For the purposes of calculating Net Revenues, sales or dispositions of Products among ACADIA, ACADIA Affiliates and Sub-Licensees intended for resale shall be excluded from the calculation of Net Revenues, but rather the sale of such Products by ACADIA, ACADIA Affiliates and Sub-Licensees to Third Parties that are not Sub-Licensees shall be included in the calculation of Net Revenues. Net Revenues shall exclude sale or distribution of Products, at or below the manufacturing cost, for use for marketing, regulatory, development or charitable purposes, such as clinical trials, compassionate use, named patient use, or indigent patient programs.

For Products which comprise a Compound and at least one other active ingredient, whether packaged together or in the same therapeutic formulation and in any dosage ("**Combination Products**"), the Net Revenues for such Combination Products shall be adjusted by multiplying the actual Net Revenues by the fraction A/(A+B) where A is the actual average of the invoice price (on a per unit basis) of the Product that is part of the Combination Product in the relevant country, if sold separately, and B is the sum of the actual average of the invoice price (on a per unit basis) of the other active component that is part of the Combination Product in the relevant country, if such other active component is sold separately. If the other component is not sold separately, then the actual Net Revenues shall be adjusted by multiplying the actual Net Revenues by the fraction A/C where A is the actual average of the invoice price (on a per unit basis) of the Product that is part of the Combination Product in the relevant country, if sold separately, and C is the actual average of the invoice prices (on a per unit basis) of the Combination Product in the relevant country. If neither of the foregoing applies, then ACADIA shall determine the Net Revenues of the Combination Product in good faith based on the respective values of the components of such Combination Product.

"**Neuren IP**" means all of the Intellectual Property Rights in or relating to the Compound or any Product owned or Controlled by Neuren or its Affiliates, including the Patents, the Methodology, the Know-how in or relating to the Compound, any Product and any Improvements solely made or acquired by Neuren or its Affiliates during the Term.

"**Patents**" means:

(a) all patents, certificates of invention, applications for certificates of invention, priority patent filings and patent applications that are:

(i) set out in the Schedule of Patents and Patent Applications; or

(ii) that are filed in accordance with clause 17.2 (which shall be added to such schedule) or otherwise added to such schedule by agreement in writing between the parties; and

(b) any renewals, divisions, continuations (in whole or in part), or requests for continued examination of any of such patents, certificates of invention and patent applications, and any all patents or certificates of invention issuing thereon, and any and all reissues, reexaminations, extensions, divisions, renewals, substitutions, confirmations, registrations, revalidations, revisions, and additions of or to any of the foregoing.

"**Phase II Clinical Study**" means a clinical study for a Product in humans conducted to evaluate the efficacy of the drug for a particular indication or indications in patients with the disease or condition under study and to determine the common short-term side effects and risks associated with the drug, as described in 21 C.F.R. §312.21(b) or the equivalent regulation outside the United States (and any amended or successor regulations).

"**Phase II Reimbursement Fee**" means the fee specified in part 1 of the Fee Schedule to reimburse development costs incurred by Neuren.

"**Phase III Clinical Study**" means a human clinical trial for a Product, the principal purpose of which is to gather safety and efficacy data of one or more particular doses in patients being studied that is needed to evaluate the overall benefit and risk relationship of the Product, as more fully defined in 21 C.F.R. §312.21(c) or the equivalent regulation outside the United States (and any amended or successor regulations), and is intended to support approval of an NDA and labeling (or marketing authorisation application).

"**Pre-Marketing**" means all sales and marketing activities undertaken prior to and in preparation for the launch of a Product in the Territory. Pre-Marketing shall include market research, key opinion leader development, advisory boards, medical education, disease-related public relations, health care economic studies, sales force training and other pre-launch activities prior to the First Commercial Sale of that Product in a given country or other regulatory jurisdiction in the Territory.

"**Prior Confidentiality Agreement**" means the Confidentiality Deed between Neuren and ACADIA dated […***…].

"**Product**" means any product developed by or on behalf of Neuren or ACADIA containing a Compound as an active ingredient, alone or in combination with one or more other active pharmaceutical ingredient(s), in any dosage form or formulation.

"**Promotional Materials**" means all written, printed, video or graphic advertising, promotional, educational and communication materials (other than any Product labels and package inserts) for marketing, advertising and promoting of the Compound or any Product.

"**PVA**" means the pharmacovigilance agreement to be established in accordance with clause 6(e).

"**Quarter**" means each period of three consecutive months ending on 31 March, 30 June, 30 September or 31 December in any year.

"**Regulatory**" means all activities regarding filing for, obtaining and maintaining any IND, NDA or Marketing Authorisation, including those described in clause 6, in support of Development and Commercialization activities.

"**Royalty**" means the royalty payable by ACADIA to Neuren in respect of Products sold by ACADIA, ACADIA's Affiliates and all Sub-Licensees as set forth in clause 12.3 and specified in part 4 of the Fee Schedule.

"Sales Milestone Fees" means the sales milestone fees specified in part 3 of the Fee Schedule.

"**Sub-Licensee**" means:

(a) any Third Party that has received a sublicense from ACADIA or its Affiliates under the Neuren IP to use, sell, offer for sale or import any Product in the Field in the Territory pursuant to clause 11.1, beyond the mere right to purchase Products from or to provide services on behalf of ACADIA and its Affiliates; and

(b) any Third Party appointed by ACADIA or its Affiliates to manufacture any Compound or Product for ACADIA or its Affiliates.

"**Tax**" means any tax, levy, impost, duty, charge, deduction, or withholding of whatever kind (together with any related interest, penalty, fine or expense) that is imposed by law or any Government Agency.

"**Term**" has the meaning given to that term in clause 2.

"**Territory**" means the United States, Canada and Mexico.

"**Third Party**" means any person or entity other than ACADIA, Neuren or their respective Affiliates.

"**U.S.**" or "**United States**" means the United States of America and its territories and possessions.

"**Valid Claim**" means a claim of an issued and unexpired Patent, to the extent such claim has not been revoked, held invalid or unenforceable by a patent office, court or other governmental agency of competent jurisdiction in a final order, from which no further appeal can be taken, and which claim has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer.

1.2 Interpretation

In this Agreement, unless the context requires otherwise:

(a) the singular includes the plural and vice versa;

(b) words denoting any gender include all genders;

(c) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(d) a reference to a party, clause, paragraph, schedule or annexure is a reference to a party, clause, paragraph, schedule or annexure to or of this Agreement;

(e) a reference to this Agreement includes any schedules or annexures;

(f) headings are for convenience and do not affect interpretation;

(g) the background or recitals to this Agreement are adopted as and form part of this Agreement;

(h) a reference to any document or agreement includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;

(i) a reference to "$", "US$", USD or "dollar" is a reference to the currency of the United States;

(j) a reference to a party includes its executors, administrators, successors, substitutes (including persons taking by novation) and permitted assigns;

(k) a reference to writing includes any method of representing words, figures or symbols in a permanent and visible form;

(l) words and expressions denoting natural persons include bodies corporate, partnerships, associations, firms, governments and governmental authorities and agencies and vice versa;

(m) a reference to any legislation or to any provision of any legislation includes:

(i) any modification or re-enactment of the legislation;

(ii) any legislative provision substituted for, and all legislation, statutory instruments and regulations issued under, the legislation or provision; and

(iii) where relevant, corresponding legislation in any Australian State or Territory;

(n) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this Agreement or any part of it

(o) the word "or" means "and/or" unless the context dictates otherwise because the subject of the conjunction are mutually exclusive; and

(p) the words "including", "for example", "such as" or other similar expressions (in any form) are not words of limitation.

2 Term

This Agreement will commence on the Commencement Date and will continue until terminated under clause 19 (or any other clause of this Agreement that gives a party a right to terminate) ("**Term**").

3 Licence

3.1 Grant of licence

Neuren and its Affiliates hereby grant to ACADIA, for the Term:

(a) an exclusive licence under the Neuren IP and Neuren's rights (including any Intellectual Property Rights) in any Joint Improvements solely to make, have made (subject to Neuren's reserved rights in clause 3.5(b)), use, develop, sell, offer for sale, import, export and otherwise Commercialize, and including the right to manufacture, have manufactured, market, promote, advertise, and distribute, any Compound and any Product within the Field and within the Territory; and

(b) the right to grant sub-licences under the Neuren IP to Affiliates and Sub-Licensees in accordance with clause 11,

in accordance with the terms and conditions of this Agreement

3.2 Right of First Negotiation outside the Territory

(a) Neuren hereby grants to ACADIA a right of first negotiation to obtain a licence under the Neuren IP to make, have made, use, develop, sell, offer for sale, import, export, or otherwise Commercialize any Compound and any Product outside the Territory ("**Potential Transaction**"), within the same scope of rights as those offered by a Third Party or offered or proposed to be offered by Neuren ("**ROFN**"), in accordance with the terms and conditions of this clause 3.2.

(b) Specifically, prior to soliciting from, making to or discussing with any Third Party any offer for any Potential Transaction, Neuren shall provide ACADIA notice in writing of Neuren's interest in a Potential Transaction. Following receipt of such notification, ACADIA must notify Neuren within […***…] Business Days whether it wishes to negotiate with Neuren in respect of such Potential Transaction.

(c) If ACADIA notifies Neuren in writing within the […***…] Business Days that it wishes to negotiate, ACADIA and Neuren shall exclusively negotiate in good faith with respect to such Potential Transaction for a period of […***…] days (or such longer period as agreed in writing by the parties). If, despite good faith negotiation by Neuren, the parties fail to reach an agreement with respect to the Compound and Product outside the Territory within such […***…]-day period (or such extension as the parties may mutually agree), then Neuren shall be free to enter into a license agreement with a Third Party with respect to the relevant Compound or Product with the same scope of rights as those offered to ACADIA; provided that, for a period […***…] after the end of negotiations between the parties, any such license agreement with a Third Party shall be on terms and conditions that are no more favourable to the Third Party than the terms and conditions last offered by ACADIA.

(d) If ACADIA does not notify Neuren in writing within the […***…] Business Days that it wishes to negotiate in respect of such Potential Transaction, Neuren shall be entitled to enter into a license agreement with a Third Party for such Potential Transaction on terms and conditions it considers appropriate.

(e) In the event Neuren receives an unsolicited offer from a Third Party with respect to a Proposed Transaction, Neuren shall promptly notify ACADIA of the existence and terms of such offer and allow ACADIA to exercise the ROFN in accordance with the procedures in clause 3.2(c) for a Potential Transaction of the same scope (i.e., territories and indications) as offered by such Third Party.

(f) For clarity, this clause 3.2 shall apply on a country-by-country and indication-by-indication basis to the extent that Neuren determines to offer or enter into negotiations for the rights outside of the Territory by country or indication and not in their entirety.

3.3 Rights personal to ACADIA

Subject to clauses 11 and 26.5, the rights given by this Agreement are personal to ACADIA and are not saleable or transferable in any manner whatsoever except in accordance with this Agreement and ACADIA must not in any way encumber, mortgage or grant rights under this Agreement to any other person except in accordance with this Agreement, and any attempt to do so that is not in accordance with this Agreement will be void.

3.4 Section 365(n) of the Bankruptcy Code

All rights and licenses granted under or pursuant to any clause of this Agreement, including the licenses granted under this clause 3 are and will otherwise be deemed to be for purposes of Section 365(n) of the United States Bankruptcy Code (Title 11, U.S. Code), as amended (the "**Bankruptcy Code**"), licenses of rights to "intellectual property" as defined in Section 101(35A) of the Bankruptcy Code. ACADIA will retain and may fully exercise all of its respective rights and elections under the Bankruptcy Code.

Neuren agrees that ACADIA, as licensee of such rights under this Agreement, will retain and may fully exercise all of its rights and elections under the Bankruptcy Code or any other provisions of applicable law outside the United States that provide similar protection for "intellectual property." Any agreements supplemental hereto will be deemed to be "agreements supplementary to" this Agreement for purposes of Section 365(n) of the Bankruptcy Code. Notwithstanding clause 23.14, intellectual property rights as set out in this clause 3.4 shall be dealt with in bankruptcy in accordance with US bankruptcy law.

3.5 Manufacturing rights

(a) Neuren and its Affiliates hereby grant to ACADIA and its Affiliates a non-exclusive licence under the Neuren IP to develop, make and have made the Compound and any Product outside the Territory (and to the extent applicable import, export, transport, obtain customs clearance, warehouse, invoice, handle and deliver); provided that the Compound or Product is not sold, transferred, otherwise disposed of, used or supplied for use outside the Territory and is used solely for the purpose of making, having made, using, developing, selling, offering for sale, importing, exporting and otherwise Commercializing such Compound or Product within the Field and within the Territory.

(b) Neuren reserves the non-exclusive right under the Neuren IP to manufacture Compound or Product or have Compound or Product manufactured on its behalf inside the Territory (and to the extent applicable import, export, transport, obtain customs clearance, warehouse, invoice, handle and deliver), provided that the Compound or Product is not sold, transferred, otherwise disposed of, used or supplied for use inside the Territory and is used solely for the purpose of making, having made, using, developing, selling, offering for sale, importing, exporting and otherwise Commercializing such Compound or Product outside the Territory.

3.6 Technology Transfer and Cooperation

(a) Within […***…] days from the Commencement Date, Neuren will complete transfer of all Know-how, Methodology, materials and other Intellectual Property Rights to ACADIA necessary or reasonably useful to enable ACADIA to commence the formulation and manufacture of the Compounds in the Territory and otherwise to practice the licences and rights granted to it under this Agreement. From time to time thereafter, or upon the other party's reasonable request during the Term, each party shall provide reasonable cooperation to the other party with respect to the conduct of the activities pursuant to this Agreement, including:

(i) the transfer of any additional Know-How, Methodology, materials and other Intellectual Property Rights that are Controlled by such party to the other party to the extent necessary or reasonably useful to enable such other party to practice the licenses and rights granted to such other party under this Agreement: and

(ii) providing the other party with technical assistance through personnel familiar with the Compound(s) to enable the Development and Commercialization of the Compound and Product, including any CMC and Methodology expertise in connection therewith, at the requesting party's cost.

(b) Without limiting clause 3.6(a), Neuren will maintain relationships with suppliers and vendors who conducted or were involved in Development of any Compound or Product to enable Neuren and ACADIA to have access to all documentation, data and other Know-How with respect to such activities as are necessary or reasonably useful for preparation and submission of an NDA for any Compound or Product. Alternatively, Neuren may secure all such documentation, data and other Know-How and transfer it to ACADIA pursuant to clause 3.6(a) to support preparation and submission of the NDA.

(a)

(c) Without limiting clause 3.6(a), Neuren shall:

(i) identify on a schedule delivered by separate letter agreement all of the vendor or supplier agreements at the Commencement Date that relate to ongoing Development or CMC activities with any Compound or Product for the Territory (the "Contracts"); and

(ii) use Commercially Reasonable Efforts to maintain good relationships with vendors, suppliers, contractors, and others providing services under the Contracts, and shall perform all of its obligations under the Contracts.

The parties will agree in good faith and undertake the actions reasonably required to ensure that those ongoing Development or CMC activities may continue after the Commencement Date without interruption.

For any Contracts that, following the Commencement Date, the parties agree should be assigned to ACADIA, (the "Assigned Contracts"), Neuren shall use Commercially Reasonable Efforts to promptly assign, transfer, convey and deliver to ACADIA, and ACADIA shall accept from Neuren, all right, title and interest in such Assigned Contracts free and clear of any and all Encumbrances. Upon such assignment, ACADIA shall assume all obligations of Neuren under the Assigned Contracts arising on or after the date of assignment, but excluding any liabilities or obligations resulting or arising from any breach of or non-compliance with any such Assigned Contract by Neuren or any of its Affiliates (the "Assumed Liabilities"). ACADIA shall not assume any liabilities or obligations of Neuren or its Affiliates other than the Assumed Liabilities, and any such liabilities or obligations of Neuren or its Affiliates shall remain the sole obligation and responsibility of Neuren and its Affiliates. To the extent that there are any Contracts that the parties agree should be assigned, but which apply outside the Territory as well as in the Territory or that apply to other compounds or products of Neuren as well as any Compound or Product, if requested by ACADIA, Neuren will use Commercially Reasonable Efforts to modify such agreements as appropriate so that a modified version of the agreement that applies only to any Compound or Product for the Territory may be assigned to ACADIA and added to the list of Assigned Contracts.

Neuren represents and warrants to ACADIA that: the Contracts are the only contracts or agreements to which Neuren or any of its Affiliates is a party that pertain to ongoing Development or CMC activities with respect to any Compound or Product for the Territory; Neuren has provided ACADIA a true and complete copy of each Contract requested by ACADIA, and the Contracts are (and will be at the time of assignment if assigned) in full force and effect in accordance with their respective terms; and Neuren is (and will be at the time of assignment if assigned) in compliance in all material respects with its obligations under the Contracts and, to Neuren's knowledge, (1) no other party to the Contracts has breached any of the Contracts in any material respect, and (2) there is no basis for termination of any of the Contracts.

3.7 No Implied License

No right or license under any intellectual property rights of a party is granted or shall be granted by implication to the other party. All such rights or licenses are or shall be granted only as expressly provided in the terms of this Agreement.

3.8 Failure to Develop or Commercialize

(a) If, for a period of at least […***…], ACADIA ceases all development activities required by clause 5 (other than as a result of the failure of the Phase III Clinical Study for Rett Syndrome) or, following Marketing Authorisation and applicable regulatory approvals, all commercialization activities required by clause 7, in each case in relation to Rett Syndrome, and provided that such cessation was not directly attributable to circumstances outside the reasonable control of ACADIA (including delays due to regulatory or legal reasons), Neuren may give notice in writing to ACADIA requiring ACADIA to provide a written report within […***…] days of

receipt of such notice detailing the steps and activities currently being undertaken and which will be undertaken by ACADIA within the following […***…] days to resume those activities required by clause 5 or clause 7, as applicable; provided, however, that this clause 3.8(a) shall only become effective upon the occurrence of one of the following events: (i) a Change of Control of ACADIA, (ii) ACADIA publicly discloses that it has abandoned Development of trofinetide, or (iii) ACADIA reports holding "cash and cash equivalents" and "investment securities available-for-sale" of less than US$[…***…] in the aggregate in its most recent consolidated balance sheet filed with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(b) If ACADIA:

(i) fails to provide the required report in the applicable timeframe; or

(ii) does not use Commercially Reasonable Efforts to undertake the steps or activities set forth in the report during the subsequent […***…] day period,

Neuren may terminate this Agreement in accordance with clause 19.1.

4 Joint Steering Committee ("JSC")

4.1 Establishment and function

(a) Within […***…] days after the Commencement Date, the parties shall establish the Joint Steering Committee ("**JSC**").

(b) Each party will retain the rights, powers and discretion granted to it under this Agreement and no such rights, powers or discretion will be delegated or vested in the JSC unless such delegation or vesting of rights is expressly provided for in this Agreement or the parties expressly agree to such delegation or vesting of rights in writing.

(c) The JSC will only have the powers expressly assigned to the JSC by this Agreement, and will not have any power to amend, modify or waive compliance with this Agreement.

(d) The JSC will perform the following functions:

(i) responsibility for monitoring and reviewing the progress of the New Drug Application made in respect of any Compound or Product to the FDA, including reviewing and approving label modifications/changes resulting from dialogue with the FDA for any Compound or Product;

(ii) remaining informed of the development and contents of all material regulatory submissions to Government Agencies in the Territory for Marketing Authorisations and all necessary filing and registration activities related to Marketing Authorisations for any Compound or Product;

(iii) serve as a forum for consideration of and exchanging data and results generated by each Party relating to additional indications for any Compound or Product;

(iv) review, approve any proposed amendments to, and monitoring execution of the Development Plan;

(v) assess any proposals relating to the further Development of Compound or Product for Fragile X syndrome pursuant to clause 5.4(b) and for additional indications pursuant to clause 5.5;

(vi) subject to clause 7, provide development, review and oversight of CMC for Compound or Product in the Territory;

(vii) inform and raise for discussion and consideration all material activities or decisions with respect to any Compound or Product outside of the Territory (e.g., initiation or termination of any study and material filings with regulatory authorities);

(viii) review, comment on and approve any proposed scientific or academic publication by either party pursuant to the procedures in clause 15.11(a); and

(ix) such other responsibilities as may be assigned to the JSC pursuant to this Agreement or as may be mutually agreed upon in writing by the parties from time to time.

4.2 Membership

(a) Neuren and ACADIA will each designate […***…] representatives (or any other number agreed in writing between the parties) of appropriate seniority, expertise and experience to serve on the JSC by written notice to the other party, such representatives to include individuals who have clinical trial and regulatory experience and expertise in pharmaceutical drug Development.

(b) Either party may designate in writing substitutes for its representatives if one or more of such party's designated representatives are unable to be present at a meeting, provided such substitutes have the appropriate seniority and experience. From time to time each party may replace its representatives by written notice to the other party specifying the prior representative(s) and their replacement(s), provided such replacements have the appropriate seniority and experience.

4.3 Meetings

(a) Meetings of the JSC will commence at a time to be mutually agreed upon by the parties but in any event the JSC will meet at least […***…] every Quarter during such time as Development under the Development Plan is ongoing, and in any case more or less frequently as ACADIA and Neuren deem appropriate or as reasonably requested by either such party, by means of teleconference, video conference, or in person as deemed necessary or appropriate. Upon completion or termination of all Development activities set forth in the Development Plan, as mutually agreed upon by the parties, the JSC shall meet on an ad hoc or as reasonably requested by a party basis, but in any event […***…] every calendar year.

(b) ACADIA and Neuren may each, on advance notice to the other party, invite non-member employees of such party or third party contractors of either of the parties to attend meetings of the JSC, provided that such non-member employees and third party contractors cannot take part in the decision making process and shall be subject to confidentiality obligations consistent with those set forth in clause 15.

4.4 Decision making process

(a) The JSC may make decisions with respect to any subject matter that is subject to the JSC's decision-making authority and functions as set out in this clause 4.4.

(b) All decisions of the JSC will be made by unanimous vote or written consent, with ACADIA and Neuren each having collectively, among its respective members, one vote in all decisions.

(c) The JSC will use Commercially Reasonable Efforts to resolve the matters within its roles and functions or otherwise referred to it.

(d) If the JSC cannot reach consensus on a matter within […***…] Business Days after such matter has been brought to the JSC's attention, then such matter shall be first referred to the chief executive officers of the parties ("CEOs").

(e) The CEOs will use Commercially Reasonable Efforts to reach mutually acceptable resolutions on all such disputed matters.

(f) If the CEOs are unable to resolve such dispute within […***…] Business Days after the dispute is first referred to them, the matter will be resolved as follows:

(i) if the dispute relates to any Regulatory, manufacturing, CMC, Development, or Commercialisation activities for any Compound or Product in the Territory, including any amendment to the Development Plan regarding any Development activities for any Compound or Product in the Territory, ACADIA will have the final decision-making authority;

(ii) If the dispute relates to any Regulatory, manufacturing, CMC, Development or Commercialisation activities for any Compound or Product outside the Territory in the same dosage form and amount for the same indication in which ACADIA is developing such Compound or Product in the Territory, Neuren will have the final decision-making authority but will use Commercially Reasonable Efforts to conduct any such activities in a manner that minimizes any adverse impact on any Compound or Product in the Territory.

(iii) if the dispute relates to any other Regulatory, manufacturing, CMC, Development, or Commercialisation activities for the Product outside the Territory, except as to:

(A) matters subject to clause 5.5(b); and

(B) manufacturing or Development outside of the Territory by or on behalf of ACADIA in support of activities in the Territory as described in clause 3.5(a),

Neuren will have the final decision-making authority;

(iv) if the dispute relates to any matters subject to clause 5.5(b), the dispute resolution procedure set out in clause 5.5(b) will apply; and

(v) if the dispute relates to:

(A) approval of a publication or presentation pursuant to clause 15.11; or

(B) any other decision assigned to the JSC pursuant to this Agreement or as agreed upon in writing by the parties that specifically provides for dispute resolution pursuant to this clause 4(f)(iv), the dispute resolution procedure set out in clause 25.4 will apply.

(g) Notwithstanding clause 4.4(f), neither party will exercise its right to finally resolve a dispute under this Agreement in a manner that excuses such party from any of its obligations specifically enumerated under this Agreement or in a manner that negates any consent rights or other rights specifically allocated to the other party under this Agreement. In addition, in resolving a dispute under this Agreement, each party agrees to act in good faith.

4.5 Alliance Managers

(a) Promptly following the Commencement Date, each party must designate an individual to serve as the main point of contact for each party to exchange information, facilitate communication and coordinate the parties' Development, Regulatory, manufacturing and CMC activities relating to any Compound and

Product and to provide day-to-day support to the JSC (each, an "**Alliance Manager**").

(b) Each Alliance Manager must be experienced in project management and have appropriate experience in the pharmaceutical industry.

(c) The Alliance Managers may attend all meetings between the parties, including all JSC meetings, and, if applicable, must work together to resolve any deadlock between the parties in accordance with the procedures set out in this Agreement.

(d) Each party may change its designated Alliance Manager from time to time upon written notice to the other party, provided that such replacement has the appropriate expertise and experience.

4.6 Exchange of information

Each party shall keep the other party informed as to its material progress and activities relating to the Development of any Compound and Product inside and outside the Territory, including with respect to Regulatory matters and meetings with Government Agencies, by way of updates to the JSC at its meetings or to the other party if the JSC is disbanded and as otherwise specified in this Agreement, or as reasonably requested from time to time by the other party.

4.7 CMC

Neuren and ACADIA acknowledge and agree that:

(a) Neuren and ACADIA shall coordinate with respect to the conduct of all manufacturing and CMC activities for any Compound and Product, whether for use inside or outside the Territory, provided that ACADIA shall conduct and be responsible for the day-to-day operations and decision-making for such manufacturing and CMC activities;

(b) As requested by the JSC, each party shall from time to time update the JSC with its progress in such manufacturing and CMC activities for its respective territory; and

(c) In the event that a supply arrangement is entered into between the parties, such supply arrangement shall include reasonable allocation of available supply of the Compound or Product that prioritizes Commercialization and the Development Plan and the price of such supply to Neuren shall fairly recover the fully-burdened cost to ACADIA of providing such supply.

5 Development

5.1 Development Activities

Following the Commencement Date, Neuren and ACADIA shall discuss the Development Plan and coordinate and conduct all Development activities with respect to any Compound and any Product as set out in this clause 5, provided that ACADIA shall be responsible for the day-to-day operations and decision-making for all Development activities under the Development Plan or otherwise with respect to any Compound or any Product in the Territory.

5.2 Development Plan

(a) Neuren and ACADIA have agreed to an initial Development Plan with respect to the Development of the Compound for Rett syndrome in the Territory, including development tasks, timelines and a budget, an overview of which is set out in a schedule delivered by separate letter agreement of the parties.

(b) The Development Plan will be reviewed and amended from time to time by the JSC.

(a)

(c) All Development activities with respect to the Compound for Rett syndrome will be performed in accordance with the Development Plan.

(d) Unless otherwise agreed in writing by the parties and subject to clause 3.6(c), Neuren shall execute and pay for the Development Plan activities to be performed by Neuren as set out in a schedule delivered by separate letter agreement of the parties. If subsequent to the Commencement Date the JSC expands the scope of any of the Development Plan activities to be performed by Neuren as set out on the schedule delivered by separate letter agreement of the parties, the additional cost that results from such expansion of scope will be paid by ACADIA. In the event that Neuren fails to execute and pay for any of the Development Plan activities set out in such schedule, and fails to cure such failure within […***…] days of written notice from ACADIA, then ACADIA shall have the right to undertake and pay for such activities, in which case ACADIA will then have the right to credit an amount equal to twice the amount ACADIA paid to undertake any of such activities against any remaining Fees and Royalties payable to Neuren.

5.3 Rett Syndrome

(a) Neuren and ACADIA acknowledge that Neuren has undertaken clinical and non-clinical development with respect to the use of a Compound in relation to Rett Syndrome, including filing an IND in the United States.

(b) Within […***…] days after the initial meeting of the JSC, the JSC shall confirm the specific activities of the parties with respect to the Development of a Compound for use in Rett Syndrome in the initial Development Plan set out in a schedule delivered by separate letter agreement of the parties, including development tasks, timelines and a budget, and propose amendments to the Development Plan as appropriate.

(c) Effective upon receipt of payment of the Phase II Reimbursement Fee by Neuren, Neuren shall, and hereby does effective upon receipt of such payment, assign its IND filing in relation to Rett Syndrome and any other Regulatory filings for any Compound or Product in Rett Syndrome in the Territory to ACADIA. To the extent not previously provided, upon assignment of the IND, Neuren shall provide ACADIA with copies of the applicable records and correspondence between Neuren and the FDA relating to the IND in accordance with the provisions of clause 3.6.

(d) ACADIA will conduct further clinical and non-clinical development with respect to a Compound in accordance with the Development Plan and to support an initial NDA filing for Rett Syndrome in the United States, including a Phase III Clinical Study in Rett Syndrome ("**Rett PIII Study**").

(e) Except for the activities that shall be funded by Neuren in accordance with clause 5.2(d), ACADIA will fund such further clinical and non-clinical development and manufacturing of any Compound to support an NDA filing for Rett Syndrome in the United States pursuant to the Development Plan, including the Rett PIII Study.

(f) ACADIA will be the sponsor and owner of the NDA for Rett Syndrome in the United States and any future Regulatory filings with respect to any Compound or Product in the Territory.

(g) ACADIA will conduct, at its expense, further pre and post commercial development with respect to any Compound or Product in Rett Syndrome for the Territory required after submission of the initial NDA, including any post-marketing studies and medical education activities.

(h) Neuren will use Commercially Reasonable Efforts to support ACADIA with respect to all activities described in this clause 5.3.

5.4 Fragile X Syndrome

(a) Neuren and ACADIA acknowledge that Neuren has undertaken preliminary clinical and non-clinical development with respect to the use of a Compound in relation to Fragile X Syndrome.

(b) Within […***…] of the Commencement Date, the parties will procure that the JSC:

(i) develop and consider a proposal for the further development of a Compound in relation to Fragile X Syndrome pursuant to a Development Plan and budget, including the design of a Phase II Clinical Study to assess proof of concept in Fragile X Syndrome ("**Fragile X Phase II Study**"), taking into account any potential impact on the Development activities being undertaken in relation to Rett Syndrome, including in particular with respect to the supply of clinical trial material; and

(ii) decide the appropriate roles and responsibilities for Neuren and ACADIA to develop such Compound for Fragile X Syndrome, including both clinical and non-clinical studies.

If the parties undertake the Fragile X Phase II Study, the JSC will, within a reasonable period following its conclusion, determine progression beyond the Fragile X Phase II Study and amend the Development Plan.

(c) If the JSC determines that development of a Compound in relation to Fragile X Syndrome should occur through the conduct of the Fragile X Phase II Study, ACADIA will fund the conduct of the Fragile X Phase II Study in the United States pursuant to the Development Plan, up to US$[…***…] for all activities conducted pursuant to the Development Plan.

(d) Subject to clause 5.4(e), if the costs of the Fragile X Phase II Study in the United States pursuant to the Development Plan exceed US$[…***…], the costs in excess of US$[…***…] will be shared equally by Neuren and ACADIA.

(e) Neuren may defer its obligation to pay its share of excess costs in accordance with clause 5.4(d), by notice in writing to ACADIA. If Neuren defers its obligation:

(i) ACADIA will fund Neuren's share of the excess costs; and

(ii) ACADIA will have the right to credit against any Development Milestone Fee owed to Neuren, other than the First Development Milestone Fee, an amount equal to twice the amount ACADIA paid to fund Neuren's share of the excess costs.

(f) For the purposes of clauses 5.4(c), (d) and (e), the funding and costs will only relate to external or Third Party costs and will not include the internal costs of either party. Each party will be responsible for and bear its own internal costs of development.

(g) If the JSC determines to proceed with further development of the Compound in relation to Fragile X Syndrome following completion of the Fragile X Phase II Study, ACADIA will fund all such further development.

(h) Neuren will use Commercially Reasonable Efforts to support ACADIA with respect to all activities described in this clause 5.4.

5.5 Other Activities

(a) From time to time, either party may submit a proposal for further development of any Compound in an indication other than Rett Syndrome or Fragile X Syndrome in the Territory or on a coordinated worldwide basis to the JSC.

(b) Neuren will inform the JSC and ACADIA of any additional activities it is proposing to undertake outside the Territory with respect to any Compound, including any further clinical development of the Compound in additional indications. If:

(i) such activities are in respect to a Compound or Product, not being a Compound or Product in the same dosage form and amount for the same indication in which ACADIA is developing such Compound or Product in the Territory; and

(ii) ACADIA believes any such additional activities would have a material negative effect (e.g., safety or pricing) on any Compound or Product in the Territory,

then within […***…] Business Days of notification, ACADIA shall have the right to have the JSC review such proposed activities prior to Neuren undertaking any such activities outside the Territory. The JSC will review in detail the potential studies and development activities to identify whether the studies or activities would be reasonably likely to materially adversely impact the Development and Commercialization of any Compound or Product in the Territory. In the event that the JSC determines that such studies or activities would be reasonably likely to materially adversely impact the Development or Commercialization of any Compound or Product in the Territory, then Neuren shall not undertake such activities; provided that if Neuren disputes the JSC determination, then such dispute shall be referred to the CEOs who will use Commercially Reasonable Efforts to reach mutually acceptable resolutions on all such disputed matters within […***…] Business Days. If the CEOs are unable resolve such dispute within […***…] Business Days after the dispute is first referred to them, then the dispute shall be resolved by an expedited arbitration process with one mutually agreed independent expert arbitrator with at least 15 years of experience and expertise with respect to clinical development and commercialization with respect to the matter in dispute. The arbitration shall be conducted in accordance with ICC Rules of Arbitration and conducted in San Francisco, California, with the decision of such expert arbitrator with respect to the additional development activities as final and binding on the parties. In no event may the arbitrator make a decision that the JSC would not have the authority to make. For clarity, this clause 5.5(b) will not apply to any studies or activities referred to in clause 4.4(f)(ii).

(c) ACADIA will inform and seek the approval of the JSC for any additional development activities it is proposing to undertake in the Territory with respect to any Compound or Product in additional indications. The JSC will review in detail the potential studies and development activities to identify a basis for proceeding, taking into consideration the commercial, scientific and clinical potential for such proposed additional development activities.

(d) The JSC will assess any proposals for further development activities with any Compound or Product in additional indications and decide whether to continue and fund any such further development. For clarity, the JSC shall not be obligated to approve any further development of any Compound or Product in an additional indication that would adversely impact the development or commercialization of any Compound or Product in the Territory.

5.6 FDA and other Approvals

(a) ACADIA will be responsible for all costs associated with any clinical and non-clinical development of any Compound or Product in the Territory following submission of any initial NDA in the United States, including any Phase III Clinical Studies and post-marketing studies that are required by the FDA as a condition of granting the FDA Approval or that are otherwise required by ACADIA. ACADIA will be responsible for conducting, at its own cost, any additional studies required

to gain approval outside of the United States but in the Territory as determined solely at ACADIA's discretion.

(b) Neuren and ACADIA will each use all Commercially Reasonable Efforts to obtain all necessary approvals to Commercialize any Product from the FDA. Each party will procure that, unless the urgency of the matter reasonably precludes it from providing the other party with an opportunity to review and/or comment on responses and submissions made or to be made to the FDA, that party will not respond to the FDA or otherwise make any submissions to the FDA without giving the other party a reasonable opportunity (not exceeding […***…] Business Days) to review and comment on the response and/or submission. For the avoidance of doubt, ACADIA will have final decision-making authority with respect to such submissions.

(c) Neuren representatives shall be entitled to attend all meetings with the FDA with respect to obtaining necessary approvals from the FDA to Commercialize any Product. The JSC will endorse attendee number and type based on meeting objective needs.

(d) All Third Party charges for obtaining any necessary FDA Approval or Marketing Authorisation will be paid by ACADIA.

(e) For countries in the Territory but outside the United States, ACADIA will use Commercially Reasonable Efforts to prepare and file, and be responsible for the preparation and filing of, all required applications for Marketing Authorisations.

(f) ACADIA will be the holder and own all right, title and interest in and to all the Marketing Authorisations, subject to clause 20.3(a)(i).

5.7 Rights to Data

Each party grants to the other party a royalty free, fully paid-up, irrevocable and non-exclusive licence to the data generated from the Development of any Compound and any Product for Rett Syndrome, Fragile X Syndrome or any other application to the extent required by the other party for the development or commercial exploitation of any Compound or Product in its territory. In the case of the licence granted by Neuren to ACADIA, the licence will continue for the Term and in the case of the licence granted by ACADIA to Neuren, the licence will be perpetual with respect to the Compound and Product outside of the Territory.

6 Regulatory Compliance

(a) ACADIA must not market, distribute or sell any Product in any part of the Territory unless ACADIA has a Marketing Authorisation (if required by a Government Agency) for that Product in that part of the Territory.

(b) ACADIA will be responsible for keeping itself informed about and complying with any relevant regulations and laws or agreements applying to the manufacturing, labelling, storage, distribution, marketing, promotion and sale of any Compound or any Product in all parts of the Field and Territory.

(c) ACADIA agrees, at its sole cost and expense, to use Commercially Reasonable Efforts to maintain all Marketing Authorisations throughout the Term, including all supplemental applications, annual reports, variations or renewals thereof.

(d) ACADIA shall, at its sole cost and expense, be responsible for all post-Marketing Authorisation approval reporting of Adverse Drug Events (ADEs) and post-marketing Product surveillance in the Territory, if and as required by Government Agencies in the Territory. Neuren will provide ACADIA with a listing of all safety reports from clinical development and serious adverse event (SAE) reports including narrative (e.g. CIOMS II with narrative) from clinical development as

well as source documentation and proof of where each case was submitted within […***…] days of after the Commencement Date.

(e) As soon as reasonably practicable but in no case later than […***…] days of the Commencement Date, the parties shall enter into a global pharmacovigilance agreement ("**PVA**") setting forth details with respect to the management of safety information including adverse events reports related to the Development and the Commercialization of the Products as well as a Safety Governance Structure and provisions ensuring Neuren has full rights of access to all such information and data.

(f) ACADIA shall maintain a global safety database for the Products. Neuren reporting and right to information with respect to any Product shall be addressed in the PVA.

(g) Neuren hereby grants to ACADIA, solely for the purposes set out in this Agreement, a right of reference or use to any and all Regulatory documentation Controlled by Neuren or any of its Affiliates relating to any Compound or Product that is existing as of the Commencement Date or generated from any clinical trial commenced by Neuren or any of its Affiliates after the Commencement Date, and Neuren agrees to sign, and cause its Affiliates to sign, any instruments reasonably requested by ACADIA in order to effect such grant.

(h) ACADIA hereby grants to Neuren, solely for the purposes set out in this Agreement, a right of reference or use to any and all Regulatory documentation Controlled by ACADIA or any of its Affiliates relating to any Compound or Product that is existing as of the Commencement Date or generated from any clinical trial commenced by ACADIA or any of its Affiliates after the Commencement Date, and ACADIA agrees to sign, and cause its Affiliates to sign, any instruments reasonably requested by Neuren in order to effect such grant.

7 Commercialization

7.1 Commercial launch

ACADIA will be responsible for planning, forecasting and manufacturing or having manufactured all quantities of any Product required for launch of that Product in the Territory.

7.2 Commercialization in the Field in the Territory

During the Term, ACADIA shall be solely responsible for Commercializing any Product in the Territory for use in the Field, which Commercialization shall be in accordance with the Commercialization Plan and this Agreement. ACADIA shall be responsible for 100% of the expenses (including Pre-Marketing and other Commercialization expenses) incurred by or on behalf of ACADIA (including any expenses incurred by Neuren at the written request of ACADIA) in connection with the Commercialization of any Product in the Territory for use in the Field. Without limiting the foregoing, ACADIA shall use its Commercially Reasonable Efforts to launch and Commercialize any Product for use in the Field in each country in the Territory after the Marketing Authorisation (if applicable) and all other applicable regulatory approvals for that Product have been obtained in that country.

7.3 Actions

In developing strategies, making decisions and exercising its rights under this Agreement (including acting through its representatives on the JSC and its Alliance Managers), each party shall act in good faith and use its Commercially Reasonable Efforts to achieve the goal of the then-current Commercialization Plan. For clarity, ACADIA shall be

responsible for the day-to-day operations and decision-making for all Commercialization activities with respect to any Compound or any Product in the Territory.

7.4 Commercialization Plan

(a) On an annual basis, ACADIA shall prepare a Commercialization plan with respect to the Commercialization of each Product in the Field in the Territory pursuant to this Agreement (as may be amended by ACADIA, the "**Commercialization Plan**"). The Commercialization Plan for the first full year following commercial launch of the first Product for which an NDA is filed with the FDA will be provided to Neuren by ACADIA as soon as it is available but, in any event, no later than […***…] days after the filing of the NDA for such Product with the FDA. Such initial Commercialization Plan shall provide a reasonably detailed plan for ACADIA's (or its Affiliate's or Sub-Licensee's) Commercialization activities with respect to such Product, including pre-launch plans and launch plans, pricing, label expansion and market positioning (which information may be preliminary). ACADIA may amend the Commercialization Plan from time to time in its discretion.

(b) Throughout the Term, at each JSC meeting pursuant to clause 4.4, ACADIA shall update the JSC of progress in the Marketing Authorisations of the Product in the Territory, and Neuren shall provide the JSC updates of progress in the Marketing Authorisations of the Product outside the Territory.

(c) During the first […***…] years after launch, appropriate executives of Neuren and ACADIA shall meet at least […***…] per calendar year to discuss and review the Commercialization Plan, if provided, and ACADIA's progress towards achievement of the Commercialization Plan and to discuss and review the marketing and sales of each Product in the Territory. Unless the parties otherwise agree, the meetings will take place in San Diego.

7.5 Commercialization Obligations

(a) Without limiting any other provision of this Agreement ACADIA (or its Affiliate or Sub-Licensee, as applicable) shall be solely responsible for:

(i) receiving, accepting and filling orders for any Product in the Field in the Territory;

(ii) handling all returns of any Product in the Field in the Territory;

(iii) controlling invoicing, order processing and collection of accounts receivable for the sales of any Product in the Field in the Territory; and

(iv) distributing and managing inventory of any Product in the Field in the Territory.

(b) ACADIA shall use Commercially Reasonable Efforts to carry out the Commercialization activities for the Products in the Territory following approval of the Marketing Authorisation and receipt of any other approvals of Governmental Agencies required to conduct such Commercialization activities in the applicable country of the Territory.

7.6 Marketing and sale

ACADIA will, and will cause its officers, agents and contractors to, conduct all details with respect to each Product and the performance of ACADIA's Commercialization activities under this Agreement in the Territory in adherence with the applicable Marketing Authorisation, the Product package inserts, labelling and packaging, and any professional requirements, including those relating to promotion of pharmaceutical products, consumer protection, fraud and abuse and false claims.

7.7 Promotional Materials

(a) ACADIA will create and develop Promotional Materials for the Territory in accordance with the Marketing Authorisations and applicable laws. ACADIA shall own all right, title and interest in and to any Promotional Materials created by ACADIA under this Agreement relating to any Product in the Field in the Territory and any website (_____.com) relating to the Product.

(b) ACADIA and Neuren will disclose to each other any and all Promotional Materials created by the respective parties, and co-operate with each other in relation to Promotional Materials to promote a reasonable level of consistency inside and outside of the Territory with respect to the Products; provided that ACADIA retains the right to modify any Promotional Materials in the Territory, at its sole discretion.

(c) Neither party shall use any of the other party's Promotional Materials without the prior written consent of the other party, not to be unreasonably withheld.

8 Restrictions

8.1 Neuren not to sell or export Product in Territory

(a) Neuren and its Affiliates will not, and must procure that its licensees and sub-licensees do not, develop, Commercialize, or export any Compound or Product in the Territory at any time during the Term of this Agreement, except as expressly permitted by clause 3.5.

(b) Without limiting the foregoing, Neuren undertakes, and must procure that its Affiliates, licensees and sub-licensees (other than ACADIA and its Affiliates and Sub-Licensees) undertake:

(i) not to export any Compound or Product for use in the Territory; and

(ii) not to:

(A) engage in promotional activities for any Compound or Product directed to the Territory; or

(B) sell or fill any orders for any Compound or Product to customers in the Territory or to any Third Party outside the Territory that it has reasonable grounds to believe are intended for use or sale in the Territory.

(c) Neuren and its Affiliates will not, and will cause licensees, sublicensees and acquirers not to, develop or commercialize a Competing Product in the Territory during the Exclusivity Period; provided, however, that in the event Neuren (or its Affiliate, licensee, sublicensee or acquirer) acquires such Competing Product during the Exclusivity Period, it must, unless ACADIA agrees to the contrary, within […***…] of such acquisition, either divest such Competing Product to a Third Party, or discontinue the development or commercialization of such Competing Product.

(d) Furthermore, Neuren and its Affiliates will not, directly or indirectly, and by incorporating the prohibition contained in this clause 8.1(d) in any license or sublicence agreement pertaining to any IGF-1 Derivative-based Compound, will cause licensees, sublicensees and acquirers not to, administer any IGF-1 Derivative Compound to any patient diagnosed with Rett syndrome or Fragile X syndrome during the Exclusivity Period (an "**IGF-1 Derivative-based Competing Product**"). For the avoidance of doubt, the foregoing sentence precludes administering indirectly through a third party (e.g., a clinical research organization) or making such compound, or any product containing such compound, available to a third party (e.g., a physician or institution) for

administration to any patient diagnosed with Rett syndrome or Fragile X syndrome. For purposes of this clause 8.1(d), "**IGF-1 Derivative Compound**" shall mean any compound (including, without limitation, NNZ-2591) that is a derivative of insulin-like growth factor one, including all salts, esters, mixtures, hydrates, isomers, solvates, complexes, isotopalogs, polymorphs, resinates, metabolites, impurities, or degradation products of such compound, that in each case is not (a) the Compound or (b) an Improvement of the Compound.

8.2 ACADIA not to sell or export Product outside the Field

(a) ACADIA and its Affiliates will not, and must procure that Sub-Licensees do not, develop, Commercialize, or export any Compound or Product for use outside the Field or the Territory, except as expressly permitted by clause 3.5.

(b) Without limiting the foregoing, ACADIA undertakes, and must procure that its Sub-Licensees undertake, except as expressly permitted by this Agreement:

(i) not to export any Compound or Product for use outside the Field or Territory; and

(ii) not to:

(A) engage in promotional activities for any Compound or Product directed outside the Field or outside the Territory; or

(B) sell or fill any orders for any Compound or Product to customers outside the Field or the Territory or to any Third Party in the Territory that it has reasonable grounds to believe are intended for use or sale outside the Field or the Territory.

8.3 Non-exclusive remedy for breach of clause 8.1(d)

(a) In addition to any other rights and remedies available to ACADIA, effective as of the date of any breach of clause 8.1(d) (the "**IGF-1 Derivative-based Competing Product License Date**"), Neuren and its Affiliates hereby grant to ACADIA an exclusive worldwide license under all of their Intellectual Property Rights to the IGF-1 Derivative-based Competing Product that is the subject of such breach, to make, have made, use, offer for sale, sell, and import with the right to grant sublicenses, any product containing such IGF-1 Derivative-based Competing Product as an active ingredient, alone or in combination with one or more other active pharmaceutical ingredient(s), in any dosage form or formulation ("**IGF-1 Derivative-based Competing Product License**"). Neuren shall provide ACADIA with prompt notice of the event giving rise to the IGF-1 Derivative-based Competing Product License Date, and as promptly as practicable thereafter, the parties shall document the IGF-1 Derivative-based Competing Product License by entering into an amendment to this Agreement setting forth in detail the terms of the IGF-1 Derivative-based Competing Product License, which amendment shall provide for, in respect of the IGF-1 Derivative Compound, similar, but separate and distinct, development and sales milestones fees, royalty payment terms and termination provisions as those set forth in this Agreement with respect to the Compound. Notwithstanding the foregoing, at any time after entering into such Amendment, ACADIA may, in its sole discretion, terminate the IGF-1 Derivative-based Competing Product License. Neuren, and Affiliates, sublicensees and successors shall be bound by the terms of this clause 8, including any Competing Product License, unless ACADIA has terminated the IGF-1 Derivative-based Competing Product License. Notwithstanding the foregoing, provided that Neuren has, in any licence or sublicence agreement relating to an IGF-1 Derivative-based Compound, affirmatively obligated the licensee or sublicensee to comply with clause 8.1(d) above, and such licensee or sublicensee has breached such obligation, Neuren shall have […***…] calendar days following the date of such breach to cause such licensee or sublicensee to cease

such breach. For the avoidance of doubt, any failure to do so within such period shall mean that the consequences of this clause 8.3 shall have come into effect as of the date of the initial breach.

(b) Prior to commencing, or upon becoming aware of the commencement by a sublicensee of, any preparatory clinical and regulatory development activities that could reasonably be expected to lead to the breach of clause 8.1(d) by it or its Affiliates, licensees or sublicensees or any third party, Neuren shall provide ACADIA with a reasonably detailed written report describing the then-current status of all such activities. If ACADIA objects to such activities, it may request, and Neuren, its Affiliates, licensees or sublicensees shall comply with, such actions as ACADIA deems necessary or advisable to preclude the breach of clause 8.1(d).

9 Warranties by ACADIA

9.1 ACADIA representations

ACADIA represents, warrants and covenants to Neuren that:

(a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof,

(b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action,

(c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by ACADIA does not conflict with, or breach any agreement to which ACADIA is a party, or any of ACADIA's articles of incorporation or bylaws;

(d) it has:

(i) or will have, access to suitably qualified technical staff to carry out the manufacture of each Product in the Territory to be performed by or on behalf of ACADIA, subject to Neuren's compliance with the terms of this Agreement or any other written agreement between the parties; and

(ii) access to the necessary staff and facilities to carry out the marketing, promotion, distribution and sale of each Product in the Territory to be performed by or on behalf of ACADIA;

(e) it will exercise Commercially Reasonable Efforts in connection with the manufacture, distribution, marketing, promotion and sale of each Product in the Field in the Territory;

(f) in the manufacture, distribution, marketing, promotion and sale of each Product, it will comply in all material respects with the provisions of all acts, regulations, by-laws, orders, directions, notices and instructions made or given by any Governmental Agency or other Regulatory authority acting under any act, regulation or by-law in the Territory and with the applicable Marketing Authorisation

(g) it will comply fully with all relevant safety standards in connection with the storage, transportation and distribution of each Product in the Territory; and

(h) it is not debarred or disqualified under the U.S. Federal Food, Drug and Cosmetic Act, as may be amended, or comparable laws in any country or jurisdiction other than the U.S., and it does not, and will not during the Term, employ or use the services of any person who is debarred or disqualified, in connection with activities relating to any Compound or Product, and in the event that either party

becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person providing services to such party, including the party itself or its Affiliates or licensees or sublicensees, which directly or indirectly relate to activities contemplated by this Agreement, such party shall immediately notify the other party in writing and such party shall cease employing, contracting with, or retaining any such person to perform any such services.

9.2 Exclusion

Except as expressly set forth in this Agreement, ACADIA expressly disclaims any and all warranties of any kind, express or implied, including the warranties of design, merchantability, fitness for a particular purpose, noninfringement of the intellectual property rights of third parties, or arising from a course of dealing, usage or trade practices, in all cases with respect thereto. Without limiting the generality of the foregoing, ACADIA does not represent or warrant:

(a) that the activities contemplated in any Development Plan or Commercialization Plan shall achieve any of the objectives contemplated therein; or

(b) the success of any study or test conducted by pursuant to this Agreement.

10 Warranties by Neuren

10.1 Neuren representations

Neuren represents, warrants and covenants to ACADIA that:

(a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof,

(b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action,

(c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by Neuren does not conflict with, or breach any agreement to which Neuren is a party, or any of Neuren's articles of incorporation or bylaws;

(d) Neuren has the right to grant to ACADIA the licences and rights granted to ACADIA by Neuren under this Agreement;

(e) it has not as of the Commencement Date, and will not during the Term, grant any right to any Third Party under the Neuren IP or Methodology that would conflict with the rights granted to ACADIA hereunder;

(f) it has or will have, access to suitably qualified technical staff to carry out the activities to be performed by or on behalf of Neuren as contemplated by this Agreement, subject to ACADIA's compliance with the terms of this Agreement or any other written agreement between the parties;

(g) it will exercise Commercially Reasonable Efforts in connection with the activities to be conducted by or on behalf of Neuren with respect to Products pursuant to this Agreement;

(h) in connection with the activities to be conducted by or on behalf of Neuren with respect to Products pursuant to this Agreement, it will comply in all material respects with the provisions of all acts, regulations, by-laws, orders, directions, notices and instructions made or given by any Governmental Agency or other Regulatory authority acting under any act, regulation or by-law in the Territory and with the applicable Marketing Authorisation;

(i) Neuren has not received notice from any Third Party alleging, and is not aware of any facts or circumstances that would result in, any infringement of the rights of any Third Party in the Development, manufacture, use or Commercialization of any Compound or Product or practice of the Methodology as contemplated by this Agreement, and, to the best of Neuren's knowledge, use of the Neuren IP in accordance with the terms of this Agreement will not infringe on the rights of any Third Party (including any Third Party's Intellectual Property Rights);

(j) as of the Commencement Date, it has received no notice and is not aware of any claim or demand or of any threatened or pending litigation regarding the Neuren IP or the Methodology, including any action or litigation alleging that the practice or use of any Neuren IP or the Methodology would infringe any patent rights or other Intellectual Property Right of any Third Party;

(k) no person or entity, other than Neuren and its Affiliates has any rights to or interest in the Neuren IP in the Territory in respect of the Field;

(l) Neuren has not given any notice to any Third Party asserting infringement by such Third Party of any of the Neuren IP and, to Neuren's knowledge, there is no unauthorized use, infringement or misappropriation of any of the Neuren IP;

(m) the Neuren IP is valid, subsisting and in full force and effect and, to Neuren's knowledge, is enforceable and Neuren has not misappropriated any rights of Third Parties with respect to the Neuren IP;

(n) Neuren or its Affiliates own all right, title and interest in and to the Neuren IP in the Field free and clear of all encumbrances, security interests, options and licenses; and

(o) it is not debarred or disqualified under the U.S. Federal Food, Drug and Cosmetic Act, as may be amended, or comparable laws in any country or jurisdiction other than the U.S., and it does not, and will not during the Term, employ or use the services of any person who is debarred or disqualified, in connection with activities relating to any Compound or Product, and in the event that either party becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person providing services to such party, including the party itself or its Affiliates or licensees or sublicensees, which directly or indirectly relate to activities contemplated by this Agreement, such party shall immediately notify the other party in writing and such party shall cease employing, contracting with, or retaining any such person to perform any such services.

10.2 Exclusion

Except as expressly set forth in this Agreement, Neuren expressly disclaims any and all warranties of any kind, express or implied, including the warranties of design, merchantability, fitness for a particular purpose, noninfringement of the intellectual property rights of third parties or arising from a course of dealing, usage or trade practices, in all cases with respect thereto. Without limiting the generality of the foregoing, Neuren does not represent or warrant:

(a) that the activities contemplated in any Development Plan or Commercialization Plan shall achieve any of the objectives contemplated therein; or

(b) the success of any study or test conducted by pursuant to this Agreement.

11 Sub-Licenses

11.1 Appointment

(a) Subject to this clause 11, ACADIA may appoint Sub-Licensees.

(b) ACADIA must notify Neuren of the appointment and identity of each Sub-Licensee and must enter into a binding agreement with each Sub-Licensee (as may be amended, a "**Sub-Licence Agreement**").

(c) The Sub-Licence Agreement and the terms and conditions of appointment of any Sub-Licensee must be consistent with the terms of this Agreement.

(d) Without the prior written consent of Neuren, which consent shall not be unreasonably withheld, ACADIA must not appoint a Sub-Licensee to acquire, assume or otherwise take on all or substantially all of ACADIA's rights or obligations under this Agreement or in circumstances which would, in effect, constitute an assignment, transfer or other disposal by ACADIA of, all or substantially all of ACADIA's rights or obligations under this Agreement if that assignment, transfer or other disposal would not be permitted under clause 26.5.

11.2 Compliance with sub-licence

ACADIA will cause any Sub-Licensee to comply with the terms and conditions of its Sub-Licence Agreement, including compliance with any of the terms and conditions required for ACADIA to comply with this Agreement.

11.3 Responsibility of ACADIA

The performance of any obligation by a Sub-Licensee of ACADIA does not relieve ACADIA of responsibility for any obligation of ACADIA under this Agreement.

11.4 Sublicense to Affiliates

ACADIA may also grant sublicenses under the Neuren IP to any of its Affiliates, will cause any Affiliate to comply with any of the terms and conditions required for ACADIA to comply with this Agreement, and will remain responsible for performance by any Affiliate of ACADIA of any obligation of ACADIA under this Agreement. Any such sublicense will terminate immediately upon the relevant party ceasing to be an Affiliate of ACADIA.

11.5 Sub-Licensee royalties

ACADIA will cause all Sub-Licensees to have the same obligations to keep accounts and records as ACADIA has under clause 12.3(b).

11.6 Sublicenses by Neuren

The provisions of clauses 11.1 through 11.4 shall apply with respect to Neuren and any sublicense granted by it under any Intellectual Property Rights of ACADIA licensed to Neuren pursuant to this Agreement.

12 Fees and Royalties

12.1 Payment of the Fees

(a) ACADIA shall pay or procure its nominated Affiliate to pay (as applicable) Neuren:

(i) the Phase II Reimbursement Fee in accordance with the payment terms set out in part 1 of the Fee Schedule;

(ii) each Development Milestone Fee in accordance with the payment terms set out in part 2 of the Fee Schedule; and

(iii) each Sales Milestone Fee in accordance with the payment terms set out in part 3 of the Fee Schedule.

(i)

(b) For the avoidance of doubt, none of the Fees are refundable under any circumstances; provided, however, that ACADIA retains the right to claim any excess payments as damages in any court or arbitration proceeding.

(c) Each Development Milestone Fee and each Sales Milestone Fee will be payable only once.

(d) Upon the achievement of the Phase II Reimbursement Fee and each Development Milestone Fee, Neuren shall invoice ACADIA, and ACADIA shall pay such Fee within […***…] days of delivery of the invoice.

12.2 Priority review voucher

If ACADIA receives a Rare Paediatric Disease Priority Review Voucher from the FDA on approval of a NDA for any Product for any indication, ACADIA will pay to Neuren one third of the proceeds after applicable taxes from the sale of such voucher or the value if not sold but used by ACADIA in connection with filing an NDA with the FDA for a product other than a Product within […***…] days of delivery of the invoice with respect to such payment.

If:

(a) the voucher is sold to an independent Third Party, the sale value will be the amount paid or to be paid by that Third Party or, if any part of the consideration for the sale is not in cash, the market value of such non-cash consideration less applicable taxes on such sale or transfer (but in any event, excluding tax on the income of ACADIA resulting from such sale); and

(b) the voucher is not sold at all or is not sold to an independent Third Party and ACADIA submits it to the FDA with the corresponding NDA for any product other than a Product, the sale value will be the average price paid by purchasers of Rare Paediatric Disease Priority Review Vouchers in the last 3 publicly announced sales of such vouchers by any holders to independent third parties immediately preceding the issuance of the priority review voucher to ACADIA.

12.3 Royalties

(a) Royalties are payable by ACADIA to Neuren within […***…] days after the last day of each Quarter for all Net Revenues during such Quarter, in accordance with the royalty calculations set forth in part 4 of the Fee Schedule.

(b) ACADIA (including its Affiliates) and Sub-Licensees shall keep complete and accurate books and records which may be necessary to ascertain properly and to verify the payments owed hereunder and retain those books and records for at least […***…]. ACADIA shall furnish Neuren with quarterly reports on sales of the Product within […***…] days after the end of each Quarter, together with the payment of Royalties for such Quarter. Each quarterly report must include:

(i) the gross amounts invoiced for each Product in each country in the Territory;

(ii) each category of the allowable deductions (as set forth in the definition of Net Revenue) that result in the Net Revenue for those countries;

(iii) a calculation of the Royalties due on such sales;

(iv) the number of units and price of Products sold; and

(v) the application of any reductions, in accordance with part 4.2 of the Fee Schedule.

12.4 Translation of Foreign Currency Sales

ACADIA's then current standard exchange rate methodology will be employed for the translation of foreign currency sales into United States dollars. This methodology is used

by ACADIA in the translation of its foreign currency operating results, is consistent with generally accepted accounting principles, is audited by ACADIA's independent certified public accountants in connection with the audit of the consolidated financial statements of ACADIA, and is used for external reporting of foreign currency operating results.

12.5 Payment

All payments to Neuren under this Agreement must be made:

(a) to the account that Neuren nominates in writing from time to time during the Term;

(b) electronically; and

(c) in US$.

If an amount specified in this Agreement is expressed in currency other than US$, that amount will be converted into US$ using the exchange rate methodology set out in clause 12.4.

12.6 Tax

If any withholding taxes are levied by any taxing authority in connection with the payment to Neuren of Fees, Royalties or other amounts under this Agreement and are required to be paid or deducted by ACADIA, ACADIA will withhold and pay such taxes from the applicable payment to Neuren to such taxing authority on behalf of Neuren and will promptly provide written evidence of such payment and such other related documentation as Neuren may reasonably require.

12.7 Fully Paid Licenses

Unless the Agreement has been terminated under clause 19, upon expiration of the Exclusivity Period in a given country in the Territory, the license granted to ACADIA in such country shall survive any termination of this Agreement on a fully-paid, royalty-free, irrevocable, perpetual and non-exclusive basis.

13 Default interest

13.1 ACADIA to pay interest

If ACADIA fails to pay any undisputed amount payable under this Agreement on the due date for payment, ACADIA must pay interest on the amount unpaid at the rate of […***…]% per annum above the current Citibank N.A. published prime rate. This interest must be paid on demand.

13.2 Calculation of interest

The interest payable under clause 13.1 accrues daily from and including the due date for payment up to but excluding the actual date of payment.

13.3 Other remedies unaffected

Neuren's right to require payment of interest under this clause 13.3 does not affect any other rights and remedies it may have in relation to any failure to pay an amount due under this Agreement.

14 ACADIA to keep accounts and records

(a) Within the Term of this Agreement, Neuren may not more than […***…] each calendar year have an independent Third Party certified public accountant, proposed by Neuren and agreed to by ACADIA (such agreement not to be unreasonably withheld or delayed) (an "**Independent Auditor**"), inspect

ACADIA's records for […***…] years preceding the period to which the applicable Royalties pertain for the purpose of determining the accuracy of royalty payments in accordance with the procedure set out in this clause 14. Upon Neuren's reasonable request, ACADIA shall exercise its right to appoint an Independent Auditor to audit each Sub-Licensee's records in accordance with this clause 14 and shall share the results of such audit with respect to amounts payable to Neuren under this Agreement.

(b) Neuren must submit an audit plan, including audit scope, to ACADIA for ACADIA's approval, which shall not be unreasonably withheld, prior to audit implementation. Such audits may be exercised during normal business hours upon reasonable prior written notice to ACADIA.

(c) Each Independent Auditor must be instructed to keep confidential any information obtained during such inspection and to report to Neuren and ACADIA only the amounts of Net Revenues and Royalties that have been or are due and payable.

(d) If determined that additional Royalties are owed, or that Royalties were overpaid, during such period, ACADIA will pay Neuren the additional Royalties, or Neuren will pay ACADIA the overpaid Royalties within […***…] days of the date the Independent Auditor's written report is received by the parties.

(e) The fees charged by an Independent Auditor will be paid by Neuren unless any additional Royalties owed to Neuren exceed […***…]% of the Royalties paid for the period subject to the audit, in which case ACADIA will pay the fees of the accounting firm.

15 Confidential Information

15.1 Confidential Information to be kept confidential

Subject to this clause 15, the receiving party must keep all Confidential Information (which shall include the Methodology) received either prior to the Commencement Date or during the Term, strictly confidential.

15.2 Prior consent

Subject to clause 15.3 and 15.8, neither party will directly or indirectly disclose, disseminate, distribute, divulge, sell or communicate to or use for any purpose except as expressly permitted by this Agreement or any other written agreement between the parties, any of the Confidential Information of the other party, unless and until the receiving party has first obtained the written consent of the other party.

15.3 Disclosure to employees and contractors

Subject to clause 15.8, the receiving party will not directly or indirectly disclose Confidential Information of the other party to its employees, contractors or any other persons unless such persons necessarily require access to such Confidential Information in order to assist the receiving party to exercise its rights or perform its obligations under this Agreement.

15.4 Compliance by employees and contractors

(a) Each party will direct any of its employees, contractors or other persons to whom Confidential Information of the other party is disclosed to comply with the terms of this Agreement relating to confidentiality.

(b) Each party will be responsible for compliance by its officers, employees, agents, contractors, advisers or any other persons to whom Confidential Information of the disclosing party has been disclosed by or on behalf of the receiving party (including as permitted under clause 15.9(b)) with the receiving party's obligations under this clause 15.

(a)

15.5 Reasonable steps and precautions

Each party will take all reasonable steps to eliminate the risk of unauthorised disclosure of any Confidential Information that it has received from the other party or its Affiliates and the burden will be on the receiving party to show that all such precautions and care were used.

15.6 Uncertainty as to confidentiality

In the event of any uncertainty as to whether or not any part of the Confidential Information is confidential, the receiving party will treat that part of the Confidential Information, as the case may be, as confidential and will not disclose that part of the Confidential Information until the receiving party is advised by disclosing party in writing that that part of the Confidential Information is not part of the disclosing party's Confidential Information.

15.7 Unauthorised disclosure

If the receiving party becomes aware of any unauthorised disclosure or misuse of any Confidential Information of the disclosing party, it will immediately notify the disclosing party in writing of the full particulars of the unauthorised disclosure or misuse.

15.8 Exceptions to obligations

The restrictions contained in clause 15 shall not apply to information that the receiving party can prove by competent written evidence:

(a) is already in the public domain or becomes available to the public other than through breach of this Agreement by the receiving party;

(b) was lawfully in the receiving party's possession prior to the Commencement Date, other than as provided to the receiving party by the disclosing party or any of its Affiliates under the terms of the Prior Confidentiality Agreement;

(c) was received by the receiving party independently from a Third Party free to disclose such information to receiving party without obligation of confidentiality; or

(d) was developed by the receiving party independent of any Confidential Information of the disclosing party.

15.9 Authorized disclosures

The receiving party may disclose Confidential Information of the disclosing party as expressly permitted by this Agreement or if and to the extent such disclosure is reasonably necessary in the following instances:

(a) submission by a receiving party to a Government Agency including, for the avoidance of doubt, any regulatory authorities, to facilitate the issuance of registrations for the Product, provided that reasonable measures shall be taken by the receiving party to assure confidential treatment of such Confidential Information (if possible)

(b) disclosure by the receiving party to Affiliates and Third Parties, including Sub-Licensees and potential Sub-Licensees, under confidentiality agreements having provisions at least as stringent as those in this Agreement, to facilitate the receiving party's exercise of its rights or performance of its obligations pursuant to this Agreement or in connection with due diligence investigations or financing transactions of the receiving party or its Affiliates; or

(c) is otherwise required to be disclosed in compliance with applicable laws or regulations (including, without limitation and for the avoidance of doubt, the requirements of the U.S. Securities and Exchange Commission (the "**SEC**") or any stock exchange on which securities issued by a party are traded) or order by a court or other regulatory body having competent jurisdiction, including

prosecuting or defending litigation, provided that, if a party is required to make any such disclosure of the other party's Confidential Information, such party will give reasonable advance written notice to the disclosing party of such disclosure requirement and, except to the extent inappropriate in the case of patent applications, will use reasonable measures to secure confidential treatment of such Confidential Information required to be disclosed; or

15.10 Survival of obligations

The parties' confidentiality obligations under this Agreement will survive during the Term of this Agreement and for […***…] thereafter.

15.11 Publications

(a) Each party and its Affiliates may propose for disclosure through academic or scientific publication or presentation any results of and other information regarding such party's Development activities with respect to any Compound or Product, whether by oral presentation, manuscript or abstract, with the prior review and approval of the JSC in accordance with the procedures set forth in this clause 15.11. The other party may consent in writing to such publication or presentation if the JSC is not scheduled to meet at a time that would allow for review on the timelines contemplated in this clause 15.11, in which case, references to the JSC review, comment and approval shall be deemed to refer to the party other than the party proposing to make such publication or presentation. Before any such information is submitted for publication or presentation of any such information is made, the party proposing to make such publication or presentation shall deliver a complete copy to the JSC at least […***…] days prior to submitting the material to a publisher or initiating any other disclosure. The JSC shall review any such material and give its comments to the publishing Party within […***…] days of receipt of such information. With respect to oral presentation materials and abstracts, the parties, through the JSC, will use reasonable efforts to expedite review of such materials and abstracts, and shall return such items as soon as practicable to the publishing party with comments, if any, but in no event later than […***…] days from receipt. The publishing party shall comply with the JSC's request to delete references to Confidential Information in any such publication or presentation and agrees to delay any submission for publication or other public disclosure for a period of up to an additional […***…] days for the purpose of preparing and filing appropriate patent applications. Notwithstanding the foregoing:

(i) after First Commercial Sale in the Territory, ACADIA may publish, present or disclose any information relating to any Compound or Product in the Field, without JSC review or approval; and

(ii) after first commercial sale outside the Territory, Neuren may publish, present or disclose any information relating to any Compound or Product in the Field, without JSC review or approval.

(b) Each party will be permitted to disclose information with respect to Development of any Compound or Product in the Field on clinicaltrials.gov (or comparable website for any jurisdiction outside the United States) in accordance with normal business practices, without the need to obtain the consent of the other party or the JSC.

15.12 Prior Confidentiality Agreement

As of the Effective Date, the terms of this clause 15 shall supersede any prior non-disclosure, secrecy or confidentiality agreement between the parties (or their Affiliates) dealing with the subject of this Agreement, including the Prior Confidentiality Agreement. Any information disclosed pursuant to any such prior agreement shall be deemed Confidential Information for purposes of this Agreement.

15.13 Equitable Relief

Given the nature of the Confidential Information and the competitive damage that a party would suffer upon unauthorized disclosure, use or transfer of its Confidential Information to any Third Party, the parties agree that monetary damages would not be a sufficient remedy for any breach of this clause 15. In addition to all other remedies, a party shall be entitled to seek specific performance and injunctive and other equitable relief as a remedy for any breach or threatened breach of this clause 15.

16 Improvements

16.1 Improvements

If Neuren or ACADIA makes any Improvement, Neuren or ACADIA (as applicable) will forthwith disclose the same to the other party.

16.2 Improvements solely made by Neuren

If the Improvement is solely made by or on behalf of Neuren or any of its Affiliates (a "Neuren Improvement"), it will automatically form part of the Neuren IP upon the creation or acquisition of such Neuren Improvement by or on behalf of Neuren or its Affiliate (and test results and data within any such Neuren Improvement shall be subject to clause 5.7).

16.3 Improvements solely made by ACADIA

(a) If the Improvement is made by or on behalf of ACADIA or any of its Affiliates ("**ACADIA Improvement**"), such ACADIA Improvement shall be solely owned by ACADIA.

(b) ACADIA shall grant and hereby grants to Neuren during the Term an exclusive (other than with respect to ACADIA), royalty-free, fully-paid license, with rights to grant sublicenses (subject to clause 11.6), under any ACADIA Improvement that is necessary or reasonably useful to make, have made, use, sell, and import a Product in the Field in a country outside the Territory.

16.4 Improvements made jointly by Neuren and ACADIA

If the Improvement is made jointly by or on behalf of Neuren and ACADIA or their respective Affiliates ("**Joint Improvement**"), each party shall own an equal undivided interest in such Joint Improvement. Each party shall have the unrestricted right to practice and use any Joint Improvement to make, have made, use, sell, offer for sale and import products; provided that with respect to Products, in the case of ACADIA, such rights shall be exclusive in the Territory, and in the case of Neuren, exclusive outside of the Territory, and rights to Joint Improvements shall be subject to any rights and licenses granted by one party to the other party hereunder. Neither party shall have an obligation to obtain the other party's consent or account to the other with respect to the exploitation of such Joint Improvement or the grant of any right or license to any other person to use or practice any Joint Improvement.

16.5 Execution of further documents

Each party agrees to do all things, take all reasonable actions and execute all documents necessary or desirable, at the requesting party's cost as and when reasonably required by a party, to give effect to this clause 16.

17 Prosecution and maintenance of Patents

17.1 Patents applied for as of the Commencement Date

Neuren will take, or will procure that an Affiliate of Neuren takes, all actions necessary to achieve registration in a timely manner of those Patents that Neuren or an Affiliate of

Neuren has applied to have registered anywhere in the Territory as of the Commencement Date, and to maintain any Patents when issued, at Neuren's expense.

17.2 Patents applied for after the Commencement Date

(a) If ACADIA requires any Neuren Improvement or Joint Improvement patent to be applied for in any country in the Territory, ACADIA will notify Neuren of this, and Neuren must notify ACADIA within […***…] days of such a request whether or not Neuren will file the patent application in some or all of the requested countries. If Neuren elects to file the patent application, Neuren will promptly file the patent application in those countries that ACADIA requests, and take all actions necessary to achieve registration of those patents in a timely manner, provided however that:

(i) all costs in applying for, prosecuting and registering such patent applications and maintaining any patents that issue thereon must be borne by Neuren; and

(ii) ACADIA acknowledges that all such patent applications will be made in the name of Neuren or an Affiliate of Neuren.

(b) Once such patent applications have been filed, they will automatically form part of the Patents licensed to ACADIA by Neuren under this Agreement.

(c) If Neuren elects not to file for such patent application in any country in the Territory, Neuren shall promptly assign its interest in the Neuren Improvement or Joint Improvement and any rights to file for such patent applications to ACADIA and ACADIA may itself apply for, prosecute and register those patent applications and maintain any patents that issue thereon in such country in the Territory at its own cost and in its own name and ACADIA will own any and all rights therein (and the foregoing shall no longer be included in Neuren Improvements or Joint Improvements, as applicable).

17.3 Obligations in respect of Patents

Subject to clause 17.4(b), unless otherwise agreed between the parties, Neuren will procure that none of the Neuren or Joint Improvement patents are abandoned or allowed to lapse during the Term.

17.4 Cooperation; ACADIA Step In Rights

(a) Neuren shall keep ACADIA informed of progress with regard to the preparation, filing, prosecution and maintenance of Patents in the Territory, including content, timing and jurisdiction of the filing of such Patents, and shall consult with, and follow the good faith requests and suggestions of, ACADIA with respect to filing and prosecuting Patents in the Territory.

(b) In the event that Neuren desires to abandon or cease prosecution or maintenance of any Patent in the Territory, Neuren shall provide reasonable prior written notice to ACADIA of such intention to abandon (which notice shall, to the extent possible, be given no fewer than […***…] days prior to the next deadline for any action that must be taken with respect to any such Patent in the relevant patent office). In such case, at ACADIA's sole discretion, upon written notice from ACADIA to Neuren, ACADIA may elect to continue prosecution or maintenance of any such Patent at its own expense, and Neuren shall execute such documents and perform such acts, at Neuren's expense, as may be reasonably necessary to effect an assignment of Neuren's entire right, title, and interest in and to such Patent in the Territory to ACADIA. Any such assignment shall be completed in a timely manner to allow ACADIA to continue prosecution and maintenance of any such Patent in the Territory and any such Patent so assigned shall cease to be either a Patent and shall no longer be subject to any rights granted by ACADIA to Neuren under this Agreement.

(c) Each party agrees to cooperate fully in the preparation, filing, prosecution and maintenance of patent applications and patents as contemplated in this clause 17 and in the obtaining and maintenance of any patent term extensions, supplementary protection certificates and their equivalent with respect thereto. Such cooperation includes:

(i) executing all papers and instruments, or requiring its employees or contractors, to execute such papers and instruments, so as enable the other party to prepare, file for, prosecute and maintain patent applications and patents as contemplated in this clause 17; and

(ii) promptly informing the other party of any matters coming to such party's attention that may affect the preparation, filing, prosecution or maintenance of any such patent applications or patents.

Without limiting the foregoing, ACADIA shall have the sole authority and discretion to maintain with the applicable Governmental Agencies in the Territory during the Term listings of applicable Patents for any Product then being commercialized by ACADIA in the Territory, including all Orange Book listings required under the Hatch-Waxman Act.

(d) Neuren shall update ACADIA through the JSC of material events with regard to the preparation, filing, prosecution and maintenance of patent applications and patents relating to any Compound or Product outside the Territory.

18 Infringement of IP and Proceedings

18.1 Reporting infringement of Neuren IP

Upon either party becoming aware of any use by any other person of a method of manufacture of any Product, a product, mode of advertising or design which might reasonably amount to infringement of any of the Neuren IP or to unfair competition or passing off or any other equivalent or similar breach of any applicable law within the Territory, that party will promptly report to the other party particulars.

18.2 Allegations of invalidity of Neuren IP

If it comes to the notice of either party that any person alleges that any part of the Neuren IP is invalid, infringes any rights of that person, or is open to any other form of attack, that party will not make any admission but will promptly report the matter in full detail to the other party.

18.3 Conduct of proceedings with respect to Neuren IP

(a) Subject to clause 18.3(c), if within […***…] days after reporting under clause 18.1 the parties fail to agree on a joint course of action with respect to an Infringement claim that specifically relates to any Product in the Field in the Territory ("**Infringement Claim**"), ACADIA will have the first right to undertake the defence or prosecution of the Infringement Claim ("**Infringement Defence**").

(b) Should ACADIA undertake any Infringement Defence, Neuren will fully co-operate with ACADIA in relation to such Infringement Defence, including, if required to bring such action, the furnishing of a power of attorney or being named as a party, and the costs and expenses of any such Infringement Defence will be borne by ACADIA, unless Neuren chooses to participate in such Infringement Defence in which case all parties will bear their own costs of the action. For the avoidance of doubt and subject to clause 18.3(c), the conduct of any Infringement Defence that ACADIA undertakes in accordance with this clause 18.3 shall be controlled by ACADIA. Unless otherwise agreed in writing as part of any cost-sharing arrangement, any recoveries resulting from such Infringement Defence shall be applied as follows:

(i) first, to reimburse each party for all out-of-pocket costs incurred by such party in connection with such Infringement Defence (on a pro rata basis, based on each party's respective litigation costs, to the extent the recovery was less than all such litigation costs); and

(ii) second, any remainder shall be retained by ACADIA, except that such amounts shall be regarded as Net Revenues and any applicable Royalty thereon paid to Neuren.

(c) Should the defence or prosecution of any Infringement Defence undertaken by ACADIA also involve an Invalidity Claim ("**Infringement and Invalidity Defence**"):

(i) Neuren and/or its Affiliates and any of Neuren's or its Affiliates' third party licensees of any of the Neuren IP at issue outside the Territory ("**Third Party Licensees**") shall have the right, at their own expense, to be involved in such Infringement and Invalidity Defence as it relates to invalidity issues and ACADIA will make no admissions which would materially prejudice Neuren's or its Affiliates' or any Third Party Licensees' rights in such Neuren IP without the written consent of Neuren, not to be unreasonably withheld;

(ii) any amounts recovered under an Infringement and Invalidity Defence that Neuren and/or its Affiliates or Third Party Licensees participate in, will be shared in the same manner as set out in clause 18.3(b); and

(iii) other than for matters involving admissions which would materially prejudice Neuren's or its Affiliates' or any Third Party Licensee's rights in such Neuren IP, the conduct of any Infringement and Invalidity Defence that ACADIA undertakes in accordance with this clause 18.3 shall be controlled by ACADIA in the same manner as an Infringement Defence.

(d) If within […***…] days after reporting under clause 18.2, the parties fail to agree on a joint course of action with respect to a claim or allegation challenging the validity, scope or enforceability of any Patent in the Territory or opposition proceeding against any Patent in the Territory, including *inter partes review* proceedings before PTAB or a similar tribunal in the Territory ("**Invalidity Claim**"), other than an Invalidity Claim that is part of any Infringement and Invalidity Defence pursuant to clause 18.3(c), ACADIA will have the first right to undertake the defence or prosecution of the Invalidity Claim ("**Invalidity Defence**"), provided that Neuren and its Affiliates and any Third Party Licensees shall have the right to participate in such action on the same conditions as an Infringement and Invalidity Defence as specified in clause 18.3(c), and the Invalidity Defence shall be conducted on the same conditions as an Infringement and Invalidity Defence as specified in clause 18.3(c). Any amounts recovered under an Invalidity Defence that Neuren, or its Affiliates or Third Party Licensees participate in will be shared in the same manner as set out in clause 18.3(b).

(e) In the event of ACADIA choosing not to undertake any Infringement Defence or Invalidity Defence, Neuren and/or any of its Affiliates may do so on its own behalf and in that event, ACADIA will fully co-operate with Neuren or any of its Affiliates in relation to such action, and the costs and expenses of any such action, including any costs or expenses normally incurred by or on behalf of ACADIA will be borne by Neuren, except as otherwise stated in this Agreement, and the proceeds of any such action will belong to Neuren or any of its Affiliates. To establish whether ACADIA has chosen to undertake any Infringement Defence or Invalidity Defence, Neuren may at any time after becoming aware of such claim serve a notice on ACADIA requesting ACADIA to specify whether it will undertake the Infringement Defence or Invalidity Defence. ACADIA will have […***…] Business Days from the date of receipt of such notice, or if later until the date that is:

(i) […***…] days following the notice in clause 18.1 or 18.2; or

(ii) […***…] days before the time limit, if any, set forth in the appropriate laws and regulations for the filing or defence of such actions, whichever of clause 18.3(e) (i) or (ii) that comes first, to respond to Neuren in writing. If ACADIA does not respond to Neuren in writing within the specified time period, ACADIA will be deemed to have undertaken not to undertake the Infringement Defence or Invalidity Defence. Neither Neuren nor its Affiliate shall settle or compromise any such action or proceeding in any manner that would negatively affect ACADIA's rights under the Patents in the Territory under this Agreement without the prior written consent of ACADIA, which shall not be unreasonably withheld.

18.4 Infringement of Third Party rights

(a) Each party shall promptly notify the other party in writing of any allegation by a Third Party that the activity of ACADIA, Neuren, or any of their respective Affiliates or Third Party licensees or sub-licensees (or Sub-Licensees), as applicable, pursuant to this Agreement infringes or may infringe the Intellectual Property Rights of a Third Party. Subject to Neuren's indemnification obligations, ACADIA shall have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by activities of ACADIA or its Affiliates or Sub-Licensees at its own expense and by counsel of its own choice, and Neuren shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Subject to ACADIA's indemnification obligations, Neuren shall have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by activities of Neuren or its Affiliates or Third Party licensees or sub-licensees at its own expense and by counsel of its own choice, and ACADIA shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

(b) Neither Party shall enter into any settlement of any claim described in this clause 18.4 that negatively affects the other party's rights or interests without such other party's written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Each party shall have the right to decline to defend or to tender defense of any such claim to the other party upon reasonable notice, including if the other party fails to agree to a settlement that such party proposes.

19 Termination

19.1 Termination by Neuren

Neuren may immediately terminate this Agreement with immediate effect by giving 10 Business Days' notice in writing to ACADIA if:

(a) ACADIA challenges the validity of any of the Neuren IP that is registered or opposes the grant to Neuren of registration of any of the Neuren IP that is not registered; or

(b) it is permitted to do so under clause 3.8 .

19.2 Termination by ACADIA

ACADIA may elect to terminate this Agreement at any time by providing 90 Business Days' prior written notice to Neuren; provided, that at any time after such notice by ACADIA, Neuren may accelerate the commencement date of such termination by providing 30 Business Days' prior written notice to ACADIA of such accelerated commencement date.

19.3 Termination by either party for breach

Either party may terminate this Agreement with immediate effect by giving notice to the other party ("**Defaulting Party**") if:

(a) the Defaulting Party breaches any provision of this Agreement requiring the payment of a monetary amount and fails to remedy the breach within 30 Business Days after receiving notice requiring it to do so with respect to any undisputed payment amounts; or

(b) the Defaulting Party breaches any material provision of this Agreement (other than any provision requiring the payment of a monetary amount) and fails to remedy the breach within 60 Business Days after receiving notice requiring it to do so.

20 Rights on Termination

20.1 Termination without prejudice to rights or obligations of parties

Any termination of this Agreement will be without prejudice to the rights, and without relief of obligations, of either party accruing prior to such termination or in respect of any sums or other claims outstanding at the time of termination.

20.2 Effect of any termination

Upon any termination of this Agreement under clause 19.1 or 19.2 or 19.3:

(a) ACADIA will immediately pay any sums payable to Neuren including without limitation all Royalties which are then due and payable;

(b) except to the extent of any surviving licenses as provided under clause 12.7, ACADIA will immediately cease to use the Neuren IP in any connection whatsoever; and

(c) except to the extent of any surviving licenses as provided under clause 12.7 or to the extent that Neuren is entitled to information from ACADIA pursuant to clause 20.3, each party shall promptly return to the other party, or delete or destroy, all relevant records and materials in such party's possession or control containing Confidential Information of the other party; provided that such party may keep one copy of such information for archival purposes only subject to continuing confidentiality obligations.

20.3 Additional effect of termination under Clause 19.2 or by Neuren under Clause 19.1 or 19.3

Upon any termination of this Agreement by Neuren under clause 19.1 or 19.3 or by ACADIA under clause 19.2:

(a) subject to clause 20.3(a)(v), ACADIA will do the following, except in any country in which there is a surviving license as provided under clause 12.7:

(i) at Neuren's expense, arrange for the transfer of all of the Marketing Authorisations and any IND with respect to any Product in the Territory held by ACADIA or its Affiliate to Neuren or its nominated representative and to take all actions reasonably necessary to ensure the transfer of those Marketing Authorisations and any IND to Neuren or its nominated representative occurs in a timely manner;

(ii) at Neuren's expense, arrange for the transfer of sponsorship of any clinical or non-clinical studies of any Product of which ACADIA or its Affiliate is the sponsor that are in progress to enable Neuren to continue such studies if it elects to do so by written notice to ACADIA provided on or before the effective date of termination;

(i)

(iii) at ACADIA's expense:

(A) transfer to Neuren electronic copies of all data, reports, Methodology and Know-how solely relating to any Compound or Product that are Controlled by ACADIA or its Affiliates;

(B) deliver up all physical copies of the Methodology and Neuren and its Affiliates' Confidential Information and Know-how; and

(C) permanently delete all electronic copies of the Methodology, Neuren and its Affiliates' Confidential Information and Know-how,

including any notes, reports and documents which contain or refer to the Methodology, Neuren and its Affiliates' Confidential Information and Know-how in ACADIA's possession, power or control; provided, however, that ACADIA retain one copy of such Confidential Information and Know-how for legal archival purposes only; provided, however, if there is a surviving license in any country as provided under clause 12.7, ACADIA will share copies of the foregoing with Neuren for use in all countries excluding any country in which ACADIA retains a license, and ACADIA shall retain all of the foregoing for use pursuant to any country in which ACADIA retains a license;

(iv) ACADIA must not, at any time, use any trademarks previously used by it that solely relate to any Compound or any Product or use any trademarks, names, labels or logos deceptively or confusingly similar to those trademarks; for clarity, in no event shall the foregoing apply to any trademark, name, label or logo with respect to the name ACADIA or ACADIA Pharmaceuticals Inc.; and

(v) ACADIA will be entitled to sell off and distribute (but not manufacture or produce except for completion of any work-in-progress, at the election of ACADIA) Products existing at the date of termination for a period of […***…] from such date on the same terms and conditions amended as necessary as are contained in this Agreement.

(b) ACADIA shall, and hereby does effective upon such termination, grant to Neuren an exclusive, royalty-free, fully-paid license, with rights to grant sublicenses, under any ACADIA Improvement or Joint Improvement that is necessary or reasonably useful to make, have made, use, sell, or import Products in the Field in the Territory (excluding any country in which there is a surviving license as provided under clause 12.7) and outside the Territory, to make, have made, use, sell, and import Products in the Field in the Territory (excluding any country in which there is a surviving license as provided under clause 12.7) and outside the Territory..

(c) At the expiry of the […***…] period referred to in clause 20.3(a)(v), in any country in the Territory (excluding any country in which there is a surviving license as provided under clause 12.7):

(i) ACADIA will cease to sell the Product and will supply to Neuren an inventory of ACADIA's stocks of the Product at that date verified by an independent accountant ("**Inventory**");

(ii) Neuren will be entitled to purchase from ACADIA all or part of the Inventory at prices agreed between Neuren and ACADIA;

(iii) ACADIA will comply with all of the provisions of clause 20.3(a) and (b) that it has not already complied with; and

(iv) Neuren will be required to relabel and repackage materials to remove any ACADIA trademarks, trade dress or other indications of ACADIA origin

from the Product, but will be entitled to continue to use the content of the Promotional Materials.

(d) In any country in the Territory (excluding any country in which there is a surviving license as provided under clause 12.7) and if Neuren so requests, any sublicense granted by ACADIA to any Sub-Licensee shall remain in effect and become a direct license from Neuren, so long as actions or omissions by the applicable Sub-Licensee did not cause or contribute to such termination and is not then in material breach of its Sub-License Agreement and such Sub-Licensee provides to Neuren within […***…] days after such termination of this Agreement a written agreement to be bound as licensee under the terms and conditions of this Agreement as to the field and territory in which such Sub-Licensee has been granted rights under its Sub-License Agreement.

20.4 Survival

Clauses 1, 5.7, 7.7(c), 9.2, 10.2, 12.7, 14, 15 (for the period specified therein), 16.2, 16.3(a) , 16.4,16.5, 20, 21, 22, 24, 25, 26 and any other right, obligation, or required performance of the parties in this Agreement which, by its express terms or nature and context is intended to survive termination or expiration of this Agreement, shall survive any such termination or expiration.

21 Liability, Indemnity and Insurance

21.1 ACADIA and Neuren liability

Subject to the terms and conditions of this Agreement, including clauses 21.2 and 21.3, each party shall be solely responsible for any acts or omissions with respect to the activities or failures to act of such party or its Affiliates, including as follows:

(a) ACADIA will be responsible for the development, manufacture, advertising, marketing, distribution or sale of the Compound and each Product in the Territory and will bear all risk and liability, loss and damage arising from such development, manufacture, advertising, marketing, distribution and sale in the Territory.

(b) Neuren will be responsible for the development, manufacture, advertising, marketing, distribution or sale of the Compound and each Product outside the Territory and will bear all risk and liability, loss and damage arising from such development, manufacture, advertising, marketing, distribution and sale outside the Territory.

21.2 Indemnity by ACADIA

ACADIA agrees to indemnify and hold harmless Neuren, each of Neuren's Affiliates, and each of Neuren's and Neuren's Affiliates' directors, officers, employees, contractors and agents ("**Neuren Indemnified Parties**") against all liability, expenses, losses, damages and costs (including reasonable attorneys' fees and expenses) ("**Losses**") incurred by or awarded against any Neuren Indemnified Party as a result of any claim, demand, action, or other proceeding by any Third Party ("**Claim**"), to the extent arising out of or in connection with:

(a) Claims made in connection with the Compound or any Product manufactured by ACADIA or any contract manufacturer appointed by ACADIA or in connection with the development, advertising, marketing, distribution or sale of the Compound or any Product in the Territory by ACADIA or any Sub-Licensee;

(b) Claims made in connection with any clinical trials conducted by ACADIA in relation to any Product;

(a)

(c) a breach by ACADIA, its officers, employees, contractors or agents of this Agreement;

(d) a breach by ACADIA of any of its warranties or representations contained within this Agreement; and

(e) the negligence or wilful misconduct of ACADIA or its officers, employees, contractors or agents in connection with this Agreement;

in each case except to the extent caused or contributed to by Neuren's fraud, negligence or wilful misconduct, and excluding Claims that the possession or use of any Compound, Product or Neuren IP in the Field infringes any Third Party's Intellectual Property Rights.

21.3 Indemnity by Neuren

Neuren agrees to indemnify and hold harmless ACADIA, each of ACADIA's Affiliates, and each of ACADIA's and ACADIA's Affiliates directors, officers, employees, contractors and agents ("**ACADIA Indemnified Parties**") against all Losses incurred by or awarded against any ACADIA Indemnified Party as a result of any Claim, to the extent arising out of or in connection with:

(a) Claims made in connection with the Compound or any Product manufactured by Neuren or any contract manufacturer appointed by Neuren or in connection with the development, advertising, marketing, distribution or sale of the Compound or any Product by Neuren or its Affiliates, licensees or sub-licensees outside the Territory or pursuant to any rights granted under clause 20.3;

(b) a breach by Neuren, its officers, employees, contractors or agents of this Agreement;

(c) a breach by Neuren of any of its warranties or representations contained within this Agreement;

(d) the negligence or wilful misconduct of Neuren or its officers, employees, contractors or agents in connection with this Agreement; and

(e) any Claims made in connection with the Product to the extent that such claim arises solely from conduct of Neuren which occurred prior to the Commencement Date,

except to the extent caused or contributed to by ACADIA's fraud, negligence or wilful misconduct.

21.4 Indemnification Procedures

Any entity entitled to indemnification under clause 21.2 or 21.3 shall give notice to the indemnifying party of any Losses or Claims that may be subject to indemnification, promptly after learning of such Losses or Claims, and the indemnifying party shall assume the defense of such Claims with counsel reasonably satisfactory to the indemnified party. If such defense is assumed by the indemnifying party with counsel so selected, the indemnifying party will not be subject to any liability for any settlement of such Losses or Claims made by the indemnified party without its consent (but such consent will not be unreasonably withheld or delayed), and will not be obligated to pay the fees and expenses of any separate counsel retained by the indemnified party with respect to such Losses or Claims.

21.5 No liability for consequential loss

Notwithstanding anything else in this Agreement, both parties expressly exclude liability for:

(a) indirect, special, incidental, or consequential loss or damage which may arise in respect of this Agreement; and

(b) loss of profit, business, revenue, goodwill or anticipated savings;

provided, however, that this clause 21.5 shall not be construed to limit either party's liability for breach of clause 15. For the avoidance of doubt, if a party is required to pay or compensate a Third Party for a loss or damage referred to in clause 21.5(a) or (b) as part of a Claim and that party is entitled to an indemnity from the other party in respect of that claim under clause 21.2 or 21.3, the indemnity shall extend to such loss or damage paid to the Third Party and this clause 21.5 shall not be construed to limit either party's indemnification obligations in respect of the amounts paid to that Third Party.

21.6 Product recall

(a) In the event of a recall of any Product in the Territory (which shall be done by ACADIA at its sole discretion but in compliance with all applicable laws, rules and regulations), ACADIA must pay all costs in association with such recall in the Territory, including reimbursement for the cost of any faulty Product supplied by ACADIA or any Sub-Licensee, subject to Neuren's indemnification obligation under clause 21.3.

(b) In any case where a change in the risk-benefit-ratio of any Product becomes evident or safety actions due to adverse drug reactions seem to be necessary (for example, change of label, product information, special information/warnings to the medical profession, patients or authorities or a Product recall), ACADIA will inform Neuren of material details in a timely fashion.

22 Publicity

(a) The parties agree to jointly develop the first public announcement of the parties' Development and Commercialization of the Product in the Territory on the Commencement Date.

(b) ACADIA may issue subsequent public announcements with respect to its Development and Commercialization of Product in the Territory for any purpose.

(c) In subsequent public announcements, Neuren shall not include information regarding the development and commercialization of Product in the Territory that is not already in the public domain without the prior written approval of ACADIA, not to be unreasonably withheld.

(d) The parties agree to consult with each other reasonably and in good faith with respect to the text and timing of public announcements or press releases regarding activities with respect to any Product contemplated by this Agreement prior to the issuance of any such announcement or press releases to the extent not previously disclosed in accordance with this clause 22, provided that a party may not unreasonably withhold, condition or delay consent to such announcements or releases, and that either party may issue such press releases or make such disclosures to the SEC pursuant to Form 8-K or pursuant to local fiscal reporting laws, filing regulations and stock exchange disclosure rules or otherwise as it determines, based on advice of counsel, are reasonably necessary to comply with applicable laws, rules or regulations or for appropriate market disclosure.

(e) The parties will consult with each other on the provisions of this Agreement to be redacted in any filings made by a party with the SEC or as otherwise required by applicable laws, rules or regulations. In addition, following the initial joint press release announcing this Agreement, either party shall be free to disclose, without the other party's prior written consent, the existence of this Agreement, the identity of the other party and those terms of the Agreement which have already been publicly disclosed in accordance herewith.

23 Force majeure

(a) Any delay in the performance of any of the duties or obligations of either party hereto shall not be considered a breach of this Agreement, and the time required for performance shall be extended for a period equal to the period of such delay, if such delay has been caused by or is the result of acts of God; acts of public enemy; insurrections; riots; injunctions; embargoes; labour disputes, including strikes, lockouts, job actions, or boycotts; fires; explosions; earthquakes; floods; shortages of energy; governmental prohibition or restriction; or other unforeseeable causes beyond the reasonable control and without the fault or negligence of the party so affected. The party so affected shall give prompt notice to the other party of such cause, and shall take whatever reasonable steps are necessary to relieve the effect of such cause as rapidly as reasonably possible.

(b) This clause 23 does not apply to any obligations to pay money.

24 Notices

24.1 Method

All notices, requests, demands, consents, approvals, offers, agreements or other communications given by a party under or in connection with this Agreement must be:

(a) in writing;

(b) signed by a person duly authorised by the sender or, where transmitted by e-mail, sent by a person duly authorised by the sender;

(c) directed to the intended recipient's address (as specified in clause 24.3 or as varied by any notice); and

(d) hand delivered, sent by prepaid post or transmitted by e-mail to that address.

24.2 Receipt

A Notice given in accordance with this clause is taken as having been given and received:

(a) if hand delivered, on delivery;

(b) if sent by prepaid post:

(i) within Australia or within the United States, on the third Business Day after the date of posting;

(ii) except as provided in clause 24.2(b)(i), on the seventh Business Day after the date of posting; or

(c) if transmitted by e-mail, on transmission, subject to confirmation of receipt;

but if the delivery or transmission is not on a Business Day or is after 5.00pm (recipient's time) on a Business Day, the notice is taken to be received at 9.00am (recipient's time) on the next Business Day.

24.3 Address of parties

Unless varied by notice in accordance with this clause 24, the parties' addresses and other details are:

Party:	Neuren
Attention:	#[insert]#
Address:	Suite 201, 697 Burke Road, Camberwell, Victoria, 3124, Australia
Email:	#[insert]#

Party:	ACADIA
Attention:	#[insert]#
Address:	3611 Valley Centre Drive, Suite 300, San Diego, California, USA 92130
Email:	#[insert]#

25 Disputes

25.1 No arbitration or court proceedings

If a dispute arises out of or in relation to this Agreement ("**Dispute**") no party to the Dispute ("**Disputant**") will start arbitration or court proceedings (except proceedings seeking interlocutory relief) unless it has complied with this clause 25. Notwithstanding the foregoing, Disputes within the authority of the JSC as described in clause 4.4(f)(i), 4.4(f)(ii) or 5.5(b) shall be resolved in the manner provided in clause 4.4(f)(i), 4.4(f)(ii) or 5.5(b), respectively.

25.2 Notice

A party claiming that a Dispute has arisen must notify each other Disputant in writing giving details of the Dispute and its proposal for a resolution.

25.3 Initial Period

For a […***…] day period after a notice is given, each Disputant must use all reasonable endeavours to resolve the Dispute and the CEO of each Disputant, or their designee, will meet within the first […***…] days of that period with that aim. Such resolution, if any, of a Dispute shall be final and binding on the parties. All negotiations pursuant to this clause 25 are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

25.4 Final Resolution

(a) If the CEOs are unable to settle the dispute within the period described in clause 25.3, the matter will be referred to arbitration for final resolution.

(b) The arbitration will be conducted under the ICC Rules of Arbitration of the International Chamber of Commerce as modified by any other instructions that the parties may agree upon at the time.

(c) There shall be three arbitrators, unless the parties are able to agree on a single arbitrator. In the absence of such agreement within […***…] days after the initiation of an arbitration proceeding, Neuren shall select one arbitrator and ACADIA shall select one arbitrator, and those two arbitrators shall then select, within […***…] days, a third arbitrator. If those two arbitrators are unable to select a third arbitrator within such […***…] day period, a third arbitrator shall be appointed by the ICC International Court of Arbitration. Within […***…] days of the appointment of such third arbitrator, the arbitrators shall issue a decision. The decision in writing of at least two of the three arbitrators shall be final and binding upon the parties.

(d) The governing law for the arbitration will be the law of the State of New York and, unless the parties otherwise agree, the forum for the arbitration will be New York City, New York.

(e) The arbitrators' decision shall be in writing and shall provide a reasoned basis for the resolution of each dispute and for any award.

(f) Each party shall bear its own fees and expenses with respect to the arbitration and any proceeding related thereto and the parties shall share equally the fees and expenses of the ICC International Court of Arbitration and the arbitrators.

(g) The arbitrators shall have power and authority to award any remedy or judgment that could be awarded by a court of law in the State of New York. The award

rendered by arbitration shall be final and binding upon the parties, and judgment upon the award may be entered in any court of competent jurisdiction in the United States or in Australia to the extent required for enforcement purposes.

25.5 Costs

Each Disputant must bear its own costs of complying with this clause 25.

26 General

26.1 Entire agreement

Other than the Prior Confidentiality Agreement, this Agreement constitutes the entire agreement between the parties in relation to its subject matter. All prior discussions, undertakings, agreements, representations, warranties and indemnities in relation to that subject matter other than the Prior Confidentiality Agreement are replaced by this Agreement and have no further effect.

26.2 Paramountcy of Agreement

If this Agreement conflicts with any other document, agreement or arrangement between the parties, this Agreement prevails to the extent of the inconsistency.

26.3 No merger

The provisions of this Agreement will not merge on completion of any transaction contemplated in this Agreement and, to the extent any provision has not been fulfilled, will remain in force.

26.4 Amendment

This Agreement may not be amended or varied unless the amendment or variation is in writing signed by all parties.

26.5 Assignment; Change of Control

Neither party may assign its rights and obligations under this Agreement without the prior written consent of the other party, except that:

(a) either party may make such assignment without the prior written consent of the other party to an Affiliate (so long as such party shall remain jointly and severally liable with such Affiliate with respect to all obligations so assigned); and

(b) either party may, without the prior written consent of the other party, assign its rights and transfer its duties hereunder to any acquirer of all or substantially all of its business or in the event of such party's merger, consolidation or involvement in a similar transaction; provided that, in the event Neuren assign its rights and obligations under this Agreement to any company that has a generics business or is developing a competing program or Competing Product, any CMC and Methodology data and information shared by ACADIA pursuant to clause 4.8 shall be deemed the Confidential Information of ACADIA and subject to the confidentiality protections set forth in clause 15, provided that any such CMC and Methodology data and information shared by ACADIA under a separate supply arrangement as set forth in clause 4.8(c) shall continue to be shared as provided under the terms of such separate supply arrangement.

If Neuren determines to initiate a Change of Control process or transaction, then prior to initiating any discussions or negotiations with a Third Party, but in any event not later than engaging an advisor or investment banker to advise on a Change of Control, Neuren shall notify ACADIA of its initiation of the process or transaction and allow ACADIA to participate in such process or negotiations on the same terms as applicable to all other participants in such process or transaction.

In the event that that an assignment by Neuren is in connection with a Change of Control that occurs prior to completion of the Development Plan, then:

(a) ACADIA shall have the right, upon written notice within […***…] days of the closing of the Change of Control transaction, to assume responsibility for all remaining Development of the Compound in the Field in the Territory; and

(b) at ACADIA's election, the JSC shall be terminated, and any decisions to be made by the JSC shall thereafter be made by ACADIA, except to the extent any decision to be made by the JSC relates only to any Regulatory, manufacturing, CMC, Development or Commercialization activities outside the Territory (excluding manufacturing or Development by or on behalf of ACADIA in support of activities in the Territory), such decision shall be made by Neuren.

No assignment will release either party from responsibility for the performance of any accrued obligation of such party hereunder. Any purported assignment in contravention of this clause 26.5 will, at the option of the non-assigning party, be null and void and of no effect. This Agreement shall be binding upon and enforceable against the successor to or any permitted assignee from either of the parties.

26.6 Severability

Part or all of any provision of this Agreement that is illegal or unenforceable will be severed from this Agreement and will not affect the continued operation of the remaining provisions of this Agreement.

26.7 Waiver

Waiver of any power or right under this Agreement:

(a) must be in writing signed by the party entitled to the benefit of that power or right; and

(b) is effective only to the extent set out in that written waiver.

26.8 Rights, remedies additional

Any rights and remedies that a person may have under this Agreement are in addition to and do not replace or limit any other rights or remedies that the person may have.

26.9 Further assurances

Each party must use Commercially Reasonable Efforts to do or cause to be done all things necessary or reasonably desirable to give full effect to this Agreement and the transactions contemplated by it (including, but not limited to, the execution of documents).

26.10 Costs

Each party must bear its own legal, accounting and other costs for the preparation and execution of this Agreement.

26.11 Electronic delivery of document

If a party delivers an executed counterpart of this document or any other document executed in connection with it ("**Relevant Document**") by facsimile or other electronic means:

(a) the delivery will be deemed to be an effective delivery of an originally executed counterpart; and

(b) the party will still be obliged to deliver an originally executed counterpart, but the failure to do so will not affect the validity or effectiveness of the Relevant Document.

26.12 Counterparts

This Agreement may be executed in any number of counterparts and all counterparts taken together will constitute one document.

26.13 Termination of Exclusivity Deed

The parties agree that upon execution of this Agreement, the Exclusivity Deed between the parties dated May 19, 2018 shall terminate.

26.14 Governing law and jurisdiction

This Agreement will be governed by and construed in accordance with the laws in force in the State of New York, without reference to its conflicts of law principles with the exception of sections 5-1401 and 5-1402 of New York General Obligations Law, and each party submits to the exclusive jurisdiction of the courts of the State of New York.

FEE SCHEDULE

1 Phase II Reimbursement Fee

(a) The Phase II Reimbursement Fee is USD$10 million.

(b) The Phase II Reimbursement Fee is payable within […***…] days after the Commencement Date.

2 Development Milestone Fee

(a) The Development Milestone Fees are as follows:

(i) the first Development Milestone Fee is USD$[…***…] (“First Development Milestone Fee”);

(ii) the second Development Milestone Fee is USD$[…***…] (“Second Development Milestone Fee”);

(iii) the third Development Milestone Fee is USD$[…***…] (“Third Development Milestone Fee”);

(iv) the fourth Development Milestone Fee is USD$[…***…] (“Fourth Development Milestone Fee”); and

(v) the fifth Development Milestone Fee is USD$[…***…] (“Fifth Development Milestone Fee”).

(b) The Development Milestone Fees are payable as follows:

(i) the First Development Milestone Fee is payable within […***…];

(ii) the Second Development Milestone Fee is payable within […***…];

(iii) the Third Development Milestone Fee is payable within […***…];

(iv) the Fourth Development Milestone Fee is payable within […***…]; and

(v) the Fifth Development Milestone Fee is payable within […***…].

(c) For the avoidance of doubt, if more than one milestone is reached in any year, the relevant Development Milestone Fee for each of those milestones will be payable in accordance with this Agreement.

(d) Each Development Milestone Fee shall be payable only once, upon first achievement regardless of the number of times such milestone event is achieved.

3 Sales Milestone Fees

(a) The Sales Milestone Fees are as follows:

(i) the first Sales Milestone Fee is USD$[…***…] (“First Fee”);

(ii) the second Sales Milestone Fee is USD$[…***…] (“Second Fee”);

(iii) the third Sales Milestone Fee is USD$[…***…] (“Third Fee”); and

(iv) the fourth Sales Milestone Fee is USD$[…***…] (“Fourth Fee”).

(b) The Sales Milestone Fees are payable as follows:

(i) the First Fee is payable within […***…] after the end of the first year in which the Net Revenue in the Territory for that calendar year equals or exceeds USD$[…***…];

(ii) the Second Fee is payable within […***…] after the end of the first year in which the Net Revenue in the Territory for that calendar year equals or exceeds USD$[…***…];

(iii) the Third Fee is payable within […***…] after the end of the first year in which the Net Revenue in the Territory for that calendar year equals or exceeds USD$[…***…]; and

(iv) the Fourth Fee is payable within […***…] after the end of the first year in which the Net Revenue in the Territory for that calendar year equals or exceeds USD$[…***…].

(c) For the avoidance of doubt, if more than one milestone is reached in any year, the relevant Sales Milestone Fee for each of those milestones will be payable in accordance with this Agreement.

(d) Each Sales Milestone Fee shall be payable only once, upon first achievement regardless of the number of times such milestone event is achieved. If two or more milestone events are achieved in the same calendar year, ACADIA shall pay to Neuren all milestone payments corresponding to the respective milestone events achieved.

4 Royalties

4.1 Royalty Payments

Subject to the royalty reductions set forth in clause 4.2 below, and during the applicable Exclusivity Period, ACADIA shall pay to Neuren, on a Quarterly basis, a running royalty on aggregate net revenues of all countries in the Territory at the following incremental royalty rates calculated on a country-by-country basis on total Net Revenue of Product in the Territory in the applicable Quarter:

Aggregate Annual Net Revenue	Royalty Rate
For the portion of aggregate annual Net Revenue of the Product in the Territory less than or equal to […***…]	[…***…]
For the portion of aggregate annual Net Revenue of the Product in the Territory greater […***…] but less than or equal to […***…]	[…***…]
For the portion of aggregate annual Net Revenue of the Product in the Territory greater than […***…] but less than or equal to […***…]	[…***…]

Aggregate Annual Net Revenue	Royalty Rate
For the portion of aggregate annual Net Revenue of the Product in the Territory greater than […***…]	[…***…]

For example, if the Annual Net Revenue in the Territory is $[…***…], comprised of Annual Net Revenue in the United States of $[…***…] and $[…***…] in Mexico. If a Generic Product is sold in Mexico during such Quarter, then the royalty payable pursuant to this clause 4.1 in Mexico would be subject to the […***…]% royalty reduction set forth in clause 4.2(a). Total royalties payable on total Annual Net Revenues would be $[…***…] calculated as:

(Annual Net Revenue in the United States ($[…***…]) multiplied by the applicable royalty rate ([…***…]%)) plus

(Annual Net Revenue in Mexico ($[…***…]) multiplied by the reduced applicable royalty rate ([…***…]%) for such country).

4.2 **Royalty Reduction**

(a) Generic Entry. The royalty rates set forth in part 4.1 of this Fee Schedule that are applied to the Net Revenue of a Product in a country shall be reduced by […***…]% if a Generic Product in respect of that Product is sold in such country, beginning in the first Quarter during which such Generic Product is sold in such country.

(b) Third Party Licenses. ACADIA shall be responsible for paying the license fees, royalties, and milestones with respect to Third Party licenses for intellectual property that ACADIA reasonably believes are necessary or reasonably useful for the Development, manufacturing or Commercialization of the Product in the Territory. For such Third Party licenses, ACADIA will be entitled to deduct up to […***…]% of all such amounts due to such Third Party from Royalties payable to Neuren pursuant to part 4.1 of this Fee Schedule.

SCHEDULE OF PATENTS AND PATENT APPLICATIONS

Territory	Patent number	Title	Filing	Issue
[…***…]	[…***…] […***…]	[…***…] […***…]	[…***…] […***…]	[…***…] […***…]
[…***…]	[…***…] […***…] […***…]	[…***…] […***…] […***…] […***…] […***…]	[…***…] […***…] […***…]	[…***…] […***…] […***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…] […***…] […***…]	[…***…] […***…] […***…]	[…***…] […***…] […***…]	[…***…] […***…] […***…]

Territory	Application number	Title	International Filing Date
[…***…]	[…***…]	[…***…]	[…***…]

EXHIBIT A

[…***…]
[…***…]
[…***…]
[…***…]

EXECUTED as an **AGREEMENT**

EXECUTED by **NEUREN PHARMACEUTICALS LIMITED**)
)

/s/ Richard S. Treagus
Signature of director

/s/ Jon Pilcher
Signature of company secretary
(delete as applicable)

Richard S. Treagus
Name of director (print)

Jon Pilcher
Name of company secretary (print)

EXECUTED by **ACADIA PHARMACEUTICALS INC.**)
)

/s/ Steve Davis
Signature of director

/s/ Austin D. Kim
Signature of ~~director /~~ company secretary
(delete as applicable)

Steve Davis
Name of director (print)

Austin D. Kim
Name of ~~director /~~ company secretary (print)

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(c) and Rule 24b-2**

ONE PASEO

OFFICE LEASE

This Office Lease (this "**Lease**"), dated as of the date set forth in Section 1 of the Summary of Basic Lease Information (the "**Summary**"), below, is made by and between KILROY REALTY, L.P., a Delaware limited partnership ("**Landlord**"), and ACADIA PHARMACEUTICALS INC., a Delaware corporation ("**Tenant**").

SUMMARY OF BASIC LEASE INFORMATION

TERMS OF LEASE	DESCRIPTION
1.Date:	October 4, 2018.
2.Premises: (Article 1)	
2.1Project:	That certain mixed-use project known as "One Paseo" located in San Diego, California, as further set forth in Section 1.1.2 of this Lease.
2.2Office Center:	That certain office center (the "**Office Center**") located within the Project, which Office Center is more particularly defined in Section 1.1.2 of this Lease and depicted on **Exhibit A-1** to this Lease.
2.3Building:	That certain office building (the "**Building**") to be located within the Office Center, with a street address of 12830 El Camino Real, San Diego, California, and depicted on **Exhibit A-2** to this Lease. The Building is anticipated to contain approximately 194,445 rentable square feet of space.
2.4Premises:	Approximately 67,020 rentable (59,758 usable) square feet of space, consisting of the entirety of the fourth (4th) and (5th) floors of the Building and commonly known collectively as Suite 500, as further depicted on **Exhibit A-3** to this Lease.
3.Lease Term (Article 2):	
3.1Length of Term:	Approximately ten (10) years and nine (9) months.

3.2Lease Commencement Date:	The earlier to occur of (i) the date upon which Tenant first commences to conduct business in the Premises and (ii) the date thirty (30) days following the date upon which the Premises is "Ready for Occupancy," as that term is set forth in Section 5.1 of the Work Letter attached as **Exhibit B** to the Lease, which Lease Commencement Date is anticipated to be May 1, 2020.

3.3 Lease Expiration Date: The last day of the calendar month in which the one hundred twenty-ninth (129th) monthly anniversary of the Lease Commencement Date occurs; provided, however, to the extent the Lease Commencement Date occurs on the first day of a calendar month, then the Lease Expiration Date shall be the day immediately preceding the one hundred twenty-ninth (129th) monthly anniversary of the Lease Commencement Date.

3.4 Option Term(s): Two (2) five (5)-year option(s) to renew, as more particularly set forth in Section 2.2 of this Lease.

4. Base Rent (Article 3):

Period During Lease Term	Annualized Base Rent*	Monthly Installment of Base Rent*	Monthly Rental Rate per Rentable Square Foot*
Lease Commencement Date – Lease Month 12◊	[…***…]	[…***…]	[…***…]
Lease Month 13 – Lease Month 24	[…***…]	[…***…]	[…***…]
Lease Month 25 – Lease Month 36	[…***…]	[…***…]	[…***…]
Lease Month 37 – Lease Month 48	[…***…]	[…***…]	[…***…]
Lease Month 49 – Lease Month 60	[…***…]	[…***…]	[…***…]
Lease Month 61 – Lease Month 72	[…***…]	[…***…]	[…***…]
Lease Month 73 – Lease Month 84	[…***…]	[…***…]	[…***…]
Lease Month 85 – Lease Month 96	[…***…]	[…***…]	[…***…]
Lease Month 97 – Lease Month 108	[…***…]	[…***…]	[…***…]
Lease Month 109 – Lease Month 120	[…***…]	[…***…]	[…***…]
Lease Month 121 – Lease Expiration Date	[…***…]	[…***…]	[…***…]

*The initial Monthly Installment of Base Rent amount was calculated by multiplying the initial Monthly Rental Rate per Rentable Square Foot amount by the number of rentable square feet of space in the Premises, and the initial Annual Base Rent amount was calculated by multiplying the initial Monthly Installment of Base Rent amount by twelve (12). In all subsequent Base Rent payment periods during the Lease Term commencing on the first (1st) day of the full calendar month that is Lease Month 13, the calculation of each Monthly Installment of Base Rent amount reflects an annual increase of […***…] and each Annual Base Rent amount was calculated by multiplying the corresponding Monthly Installment of Base Rent amount by twelve (12).

◊Subject to the terms set forth in Section 3.2 below, the Base Rent attributable to the […***…] month period commencing on the […***…] day of the […***…] full calendar month of the Lease Term and ending on the last day of the […***…] full calendar month of the Lease Term shall be abated.

**The amounts identified in the column entitled "Monthly Rental Rate per Rentable Square Foot" are rounded amounts and are provided for informational purposes only.

5.Base Year (Article 4):	Calendar year 2020; provided, however, to the extent the Lease Commencement Date occurs on or after October 1, 2020, such Base Year shall be calendar year 2021; provided further, however, electricity to the Premises is separately metered and directly paid by Tenant to the applicable utility provider or, at Landlord's option, to Landlord.
6.Tenant's Share (Article 4):	Approximately 34.47%.
7.Permitted Use (Article 5):	Tenant shall use the Premises solely for general office use and uses incidental thereto (the "**Permitted Use**"); provided, however, that notwithstanding anything to the contrary set forth hereinabove, and as more particularly set forth in the Lease, Tenant shall be responsible for operating and maintaining the Premises pursuant to, and in no event may Tenant's Permitted Use violate, (A) Landlord's reasonable "Rules and Regulations," as that term is set forth in Section 5.2 of this Lease, (B) all "Applicable Laws," as that term is set forth in Article 24 of this Lease, (C) all applicable zoning, building codes and the "CC&Rs," as that term is set forth in Section 5.3 of this Lease, and (D) first-class office standards in the market in which the Project is located.
8.Letter of Credit (Article 21):	Initially, in an amount equal to […***…].
9.Parking Pass Ratio (Article 28):	Two Hundred Thirty-Nine (239) unreserved parking passes (i.e., four (4) unreserved parking passes for every 1,000 usable square feet of the Premises), provided that Tenant may convert up to Sixty-Seven (67) unreserved parking passes (i.e., one (1) unreserved parking pass for every 1,000 rentable square feet of

	the Premises) to reserved parking passes. The locations of all reserved parking passes shall be designated by Landlord, subject to Tenant's reasonable approval.
10.Address of Tenant (Section 29.18):	ACADIA Pharmaceuticals Inc. 3611 Valley Center Drive, Suite 400 San Diego, California 92130 Attention: Lynne Buhl Telephone Number: (858) 320-8643 E-mail: lbuhl@acadia-pharm.com (*Prior to Lease Commencement Date*) *with a copy to*: ACADIA Pharmaceuticals Inc. 3611 Valley Center Drive, Suite 400 San Diego, California 92130 Attention: Austin Kim, Esq. Telephone Number: (858) 202-7599 E-mail: akim@ACADIA-pharm.com (*Prior to Lease Commencement Date*)
and	ACADIA Pharmaceuticals Inc. 12830 El Camino Real, Suite 500 San Diego, California 92130 Attention: Lynne Buhl Telephone Number: (858) 320-8643 E-mail: lbuhl@ACADIA-pharm.com (*After Lease Commencement Date*) *with a copy to*: ACADIA Pharmaceuticals Inc. 12830 El Camino Real, Suite 500 San Diego, California 92130 Attention: Austin Kim, Esq. Telephone Number: (858) 202-7599 E-mail: akim@ACADIA-pharm.com *(After Lease Commencement Date)*
11.Address of Landlord (Section 29.18):	Kilroy Realty, L.P. c/o Kilroy Realty Corporation 12200 West Olympic Boulevard, Suite 200 Los Angeles, California 90064 Attention: Legal Department *with copies to*: Kilroy Realty Corporation 12200 West Olympic Boulevard, Suite 200 Los Angeles, California 90064 Attention: Mr. John Fucci *and* Kilroy Realty, L.P. 12270 El Camino Real, Suite 250 San Diego, California 92130 Attention: Mr. Nelson Ackerly

and

Allen Matkins Leck Gamble Mallory & Natsis LLP
1901 Avenue of the Stars, Suite 1800
Los Angeles, California 90067
Attention: Anton N. Natsis, Esq.

and, for sustainability-related notices only:

Kilroy Realty Corporation
12200 West Olympic Boulevard, Suite 200
Los Angeles, California 90064

Attention: Sara Neff,
Senior Vice President, *Sustainability*

12.Broker(s) (Section 29.24):

Representing Tenant:

Savills Studley, Inc.

Representing Landlord:

Cushman & Wakefield

13.Improvement Allowance (Section 2 of **Exhibit B**):

[…***…] per rentable square foot of the Premises for a total of […***…].

ARTICLE 1

ARTICLE 1

PREMISES, BUILDING, PROJECT, AND COMMON AREAS

1.1 **Premises, Building, Project and Common Areas**.

1.1.1 **The Premises**. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises set forth in Section 2.4 of the Summary (the "**Premises**"). The outline of the Premises is set forth in **Exhibit A-3** attached hereto and the Premises has approximately the number of rentable square feet as set forth in Section 2.4 of the Summary. The parties hereto agree that the lease of the Premises is upon and subject to the terms, covenants and conditions (the "**TCCs**") herein set forth, and Tenant and Landlord covenant as a material part of the consideration for this Lease to keep and perform each and all of such TCCs by it to be kept and performed and that this Lease is made upon the condition of such performance. The parties hereto hereby acknowledge that the purpose of **Exhibit A-1**, **Exhibit A-2**, and **Exhibit A-3** is to show the approximate location of the Office Center, the Building, and the Premises only, and such Exhibits are not meant to constitute an agreement, representation or warranty as to the construction of the Premises, the precise area thereof or the specific location of the "Common Areas," as that term is defined in Section 1.1.3, below, or the elements thereof or of the accessways to the Premises or the "Project," as that term is defined in Section 1.1.2, below. Except as specifically set forth in this Lease and in the Work Letter attached hereto as **Exhibit B** (the " **Work Letter**"), Tenant shall accept the Premises in its existing "as-is" condition and Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises. Tenant also acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Premises, the Building or the Project or with respect to the suitability of any of the foregoing for the conduct of Tenant's business, except as specifically set forth in this Lease and the Work Letter. Notwithstanding the foregoing, Landlord shall deliver the Premises to Tenant (the date of delivery being referred to herein as the "**Delivery Date**") with the mechanical, electrical and plumbing systems in good working order, condition and repair on the Lease Commencement Date. The taking of possession of the Premises by Tenant shall conclusively establish that the Premises and the Building were at such time in good and sanitary order, condition and repair, subject only to (i) a list of punch list items provided to Landlord in writing within thirty (30) days following the Delivery Date, (ii) latent defects as well as defects in the mechanical, electrical and plumbing systems brought to Landlord's attention in writing within six (6) months following Delivery Date, (iii) Landlord's obligations set forth in Article 7 of this Lease, (iv) Landlord's obligations set forth in Article 24 of this Lease with regard to compliance with Applicable Laws, and (v) Landlord's obligations set forth in Section 29.34 of this Lease with respect to "Hazardous Materials," as that term is defined in such Section 29.34.

1.1.2 **The Building and the Project**. The Premises is a part of the Building set forth in Section 2.3 of the Summary. The Building itself is located within the Office Center consisting of (a) the Building, (b) the other office building of the Office Center commonly referred to by the street address of 12860 El Camino Real, and (c) the Common Areas associated with the Office Center, which Office Center is, in turn, a component of a greater mixed-use project known as "One Paseo." The term "**Project**," as used in this Lease, shall mean (i) the Office Center, (ii) the retail center and associated common areas, as depicted in **Schedule A-1**, (iii) the residential portion of the Project, as depicted in **Schedule A-1**, and (iv) the land upon which the Office Center, the retail center, the residential portion, the Project parking facilities, and the respective common areas of each portion of the Project are located.

1.1.3 **Common Areas**. Tenant shall have the non-exclusive right to use in common with other tenants in the Project, and subject to the reasonable rules and regulations referred to in Article 5 of this Lease, those portions of the Project which are provided, from time to time, for use in common by Landlord, Tenant and any other tenants of the Project, including the Project's non-residential parking facilities (such areas, together with such other portions of the Project designated by Landlord, in its discretion, including certain areas designated for the exclusive use of certain tenants, or to be shared by Landlord and certain tenants, are collectively referred to herein as the "**Common Areas**"). The Common Areas shall consist of the "Project Common Areas", the "Office Center Common Areas", and the "Building Common Areas" (as those terms are defined below). The term "**Building Common Areas**," as used in this Lease, shall mean the portions of the Common Areas located within, or solely serving, the Building and designated as such by Landlord. The term "**Office Center Common Areas**", as used in this Lease,

shall mean the portions of the Common Areas located within, or solely serving, the Office Center and designated as such by Landlord. The term "**Project Common Areas**," as used in this Lease, shall mean the portion of the Project designated as such by Landlord. The manner in which the Common Areas are maintained and operated shall be at the sole discretion of Landlord and the use thereof shall be subject to such reasonable rules, regulations and restrictions as Landlord may make from time to time, provided that such rules, regulations and restrictions do not unreasonably interfere with the rights granted to Tenant under this Lease and the Permitted Use. Landlord reserves the right to close temporarily, make alterations or additions to, or change the location of elements of the Project and the Common Areas; provided that no such changes shall be permitted which materially reduce Tenant's rights or access hereunder. Except when and where Tenant's right of access is specifically excluded in this Lease, Tenant shall have the right of access to the Premises, the Building, and the Project parking facility twenty-four (24) hours per day, seven (7) days per week during the "Lease Term," as that term is defined in Section 2.1, below.

1.2 **Verification of Rentable Square Feet of Premises and Building**. For purposes of this Lease, "rentable square feet" and "usable square feet" shall be calculated pursuant to the Office Buildings: Standard Methods of Measurement and Calculating Rentable Area – 2017 (Method B), and its accompanying guidelines (collectively, "**BOMA**"). Within thirty (30) days after the "Lease Commencement Date" (as that term is defined in Section 2.1 of this Lease), Stevenson Systems, an independent third-party space measurement company, shall measure the rentable and usable square feet of the Premises in accordance with BOMA, and the determination of Stevenson Systems shall be conclusive and binding upon the parties, absent manifest error. In the event that Stevenson Systems determines that the amounts thereof shall be different from those set forth in this Lease, all amounts, percentages and figures appearing or referred to in this Lease based upon such incorrect amount (including, without limitation, the amount of the "Rent" and any "Security Deposit," as those terms are defined in Section 4.1 and Article 21 of this Lease, respectively), after thirty (30) days prior notice to Tenant to verify such calculations, shall be modified in accordance with such determination; provided, however, regardless of such actual determination, with regard to the calculation of any such amounts, percentages and figures, in no event shall the rentable square footage of the Premises exceed 68,360 rentable square feet (i.e., 102% of the anticipated rentable square footage of the Premises of 67,020 set forth in in Section 2.4 of the Summary). If such determination is made, it will be confirmed in writing by Landlord to Tenant.

1.3 **Right of First Refusal**. Landlord hereby grants to the originally named Tenant herein ("**Original Tenant**") and its "Permitted Transferee Assignee" (as that term is defined in Section 14.8 below) a one-time right of first refusal with respect to the space located, alternatively, on either the third (3rd) or sixth (6th) floor of the Building (or, if the originally identified Premises is relocated pursuant to Article 22, the First Refusal Space shall, correspondingly, be the thereafter existing, immediately adjacent floors to such relocated Premises), whichever first becomes available following the rights of the "Superior Right Holders" identified hereinbelow (as applicable, the "**First Refusal Space**"). The parties hereby acknowledge and agree that (i) as of the date of this Lease, the third (3rd) floor alternate component of First Refusal Space is vacant and, accordingly, the applicability of such first refusal right of Tenant to such third (3rd) floor alternate component of First Refusal Space shall commence (a) on the Lease Commencement Date as to First Refusal Space not leased as of the Lease Commencement Date (unless and to the extent Landlord is actively negotiating with a third party tenant to lease such space as of the Lease Commencement Date and consummates such third party lease within ninety (90) days thereafter, in which case such third-party lease and corresponding space will be treated as an "Initial 3rd Floor Lease," as identified hereinbelow), or (b) the expiration of the initial leases (including renewals and extensions, whether pursuant to rights originally existing or subsequently granted) Landlord may enter into with regard to the third (3rd) floor portion of the First Refusal Space (the "**Initial 3rd Floor Leases**"), (ii) as of the date of this Lease, the sixth (6th) floor alternate component of First Refusal Space is subject to a third party lease of the sixth (6th) floor portion of the First Refusal Space (the "**Existing 6th Floor Lease**") and, accordingly, the applicability of such first refusal right of Tenant to such sixty (6th) floor alternate component of First Refusal Space shall be subordinate to all rights of tenants under such Existing 6th Floor Lease and the Initial 3rd Floor Leases (all such tenants under the Existing 6th Floor Lease and Initial 3rd Floor Leases, collectively, the "**Superior Right Holders**"). Tenant's right of first refusal shall be on the terms and conditions set forth in this Section 1.3.

1.3.1 **Procedure for Refusal Offer**. Landlord shall notify Tenant (the "**First Refusal Notice**") from time-to-time when and if Landlord receives a "bona-fide third-party offer" for the First Refusal Space. Pursuant to such First Refusal Notice, Landlord shall offer to lease to Tenant the applicable First Refusal Space. The First Refusal Notice shall describe the First Refusal Space, and the lease term, rent and other fundamental economic terms and conditions upon which Landlord proposes to lease such First Refusal Space pursuant to the bona-fide third-party offer. For purposes of this Section 1.3, a "**bona-fide third-party offer**" shall mean an offer or a counter-offer received by Landlord to lease First Refusal Space from an unaffiliated and qualified third party which Landlord would otherwise be willing to accept (but for Tenant's superior rights hereunder). For purposes of example only, the following would each constitute a bona-fide third-party offer:

1.3.1.1 Landlord receives a request for proposal from an unaffiliated and qualified third party. Landlord responds to the request for proposal with a lease proposal and subsequently receives a written bona-fide counter proposal from the unaffiliated and qualified third party.

1.3.1.2 Landlord receives a written offer to lease from an unaffiliated and qualified third party. Landlord responds to the offer with a written counter offer and subsequently receives a bona-fide counter to Landlord's counter offer from the unaffiliated and qualified third party.

1.3.2 **Procedure for Acceptance**. If Tenant wishes to exercise Tenant's right of first refusal with respect to the First Refusal Space described in the First Refusal Notice, then within ten (10) business days of delivery of the First Refusal Notice to Tenant (the "**Election Period**"), Tenant shall deliver to Landlord written notice (an "**Election Notice**") of Tenant's exercise of its right of first refusal with respect to all of the First Refusal Space described in the First Refusal Notice at the rent, for (i) the term which shall commence as identified in the First Refusal Notice and which shall expire, subject to renewal of the entire Premises pursuant to Section 2.2, below, on the later of (a) the date of expiration of the initial Lease Term, as the same may be extended (i.e., on a coterminous basis), or (b) the last day in the month upon which the fifth (5th) anniversary of the commencement date for the payment of Base Rent with regard to such First Refusal Space occurs (i.e., for a minimum of a five (5)-year term), and (ii) upon the other fundamental economic terms and conditions contained in such First Refusal Notice, including, but not limited to rental concessions and improvement allowances. If Tenant does not so notify Landlord within such Election Period of Tenant's exercise of its first refusal right, or Tenant affirmatively elects not to exercise such first refusal right (either of the foregoing being referred to herein as a "**First Refusal Rejection**"), then Landlord shall be free to negotiate and enter into a lease for the First Refusal Space within one hundred twenty (120) days thereafter to anyone whom it desires on any terms it desires; provided, however, to the extent such third party lease of First Refusal Space would be on "Economic Terms," as that term is defined hereinbelow, which on a per rentable square foot basis are (in the aggregate) less than ninety-two percent (92%) of the Economic Terms (in the aggregate and determined on a net effective basis which is substantially the same as the determination of the Market Rent as provided on **Exhibit H**) on a per rentable square foot basis offered to Tenant in the applicable First Refusal Notice, then Landlord shall deliver another First Refusal Notice (the "**Additional Notice**") to Tenant offering such more favorable terms to Tenant (provided that such terms and conditions shall be adjusted to account for the difference, if any, in the lease term offered to Tenant and the lease term offered to such third party). If Tenant thereafter wishes to exercise its right of first refusal with respect to the Additional Notice, Tenant shall deliver the Election Notice to Landlord within ten (10) business days of delivery of such Additional Notice to Tenant (which procedure shall be repeated until Landlord enters into a lease or lease amendment with respect to such First Refusal Space which does not require Landlord to deliver another Additional Notice to Tenant pursuant to the terms hereof or Tenant timely exercises such right of first refusal, as applicable). The term "**Economic Terms**" for purposes of this Section 1.3.2 shall mean only the annual base rent, tenant improvement allowance, if any, moving allowance, if any, free or discounted parking, if any, and abated base rent, if any.

1.3.3 **Amendment to Lease**. If Tenant timely exercises Tenant's right of first refusal to lease First Refusal Space as set forth herein, Landlord and Tenant shall within thirty (30) days thereafter execute an amendment to this Lease (the "**First Refusal Space Amendment**") for such First Refusal Space upon the terms set forth in the First Refusal Notice, including, but not

limited to rent (the "**First Refusal Space Rent**"), but otherwise upon the TCCs set forth in this Lease and this Section 1.3. Notwithstanding the foregoing, Landlord may, at its sole option, require that a separate lease be executed by Landlord and Tenant in connection with Tenant's lease of the First Refusal Space, in which event such lease (the "**First Refusal Space Lease**") shall be on the same TCCs as this Lease, except as provided in this Section 1.3 and specifically in this Lease to the contrary. The First Refusal Space Lease, if applicable, shall be executed by Landlord and Tenant within thirty (30) days following Tenant's exercise of its right to lease the First Refusal Space. Notwithstanding the foregoing documentation obligations, Landlord and Tenant hereby acknowledge and agree that Tenant's timely delivery of the Election Notice shall, in and of itself, conclusively establish Tenant's obligation to lease the subject First Refusal Space on the express TCCs set forth in the corresponding First Refusal Notice.

1.3.4 **No Defaults; Required Financial Condition of Tenant**. The rights contained in this Section 1.3 shall be personal to the Original Tenant and its Permitted Transferee Assignees and may only be exercised by the Original Tenant or a Permitted Transferee Assignee (and not any other assignee, sublessee or other transferee of the Original Tenant's interest in this Lease) if the Original Tenant and/or a Permitted Transferee Assignee occupies not less than the entire then-existing Premises. The right to lease the First Refusal Space as provided in this Section 1.3 may not be exercised if, as of the date Tenant attempts to exercise its right of first refusal with respect to the First Refusal Space described in the First Refusal Notice, or as of the scheduled date of delivery of such First Refusal Space to Tenant, (A) Tenant is in economic or material non-economic default pursuant to the terms of this Lease (beyond the Notice and cure periods), and (B) Tenant has previously been in default under this Lease (beyond the applicable notice and cure periods) more than once during the previous twenty-four (24) month period.

1.3.5 **First Refusal Space Commencement Date; Construction in First Refusal Space**. The commencement date for the First Refusal Space shall be the applicable date specified in the applicable First Refusal Notice (the "**First Refusal Space Commencement Date**") and the term of Tenant's lease of such First Refusal Space shall expire, as set forth in Section 1.3.2 above, on the applicable date set forth in the First Refusal Notice (the "**First Refusal Space Expiration Date**"). The term of Tenant's occupancy of the First Refusal Space shall be referred to herein as a "**First Refusal Space Lease Term**." Except as otherwise expressly identified in the First Refusal Notice, Tenant shall take the First Refusal Space in its "as is" condition, and the construction of improvements in the First Refusal Space shall comply with the terms of Article 8 of this Lease.

ARTICLE 2

LEASE TERM; OPTION TERM

2.1 **Initial Lease Term**. The TCCs and provisions of this Lease shall be effective as of the date of this Lease. The term of this Lease (the "**Lease Term**") shall be as set forth in Section 3.1 of the Summary, shall commence on the date set forth in Section 3.2 of the Summary (the "**Lease Commencement Date**"), and shall terminate on the date set forth in Section 3.3 of the Summary (the "**Lease Expiration Date**") unless this Lease is sooner terminated as hereinafter provided. For purposes of this Lease, the term "**Lease Year**" shall mean each consecutive twelve (12) calendar month period during the Lease Term; provided, however, that the first Lease Year shall commence on the Lease Commencement Date and end on the last day of the month in which the first anniversary of the Lease Commencement Date occurs (or if the Lease Commencement Date is the first day of a calendar month, then the first Lease Year shall commence on the Lease Commencement Date and end on the day immediately preceding the first anniversary of the Lease Commencement Date), and the second and each succeeding Lease Year shall commence on the first day of the next calendar month; and further provided that the last Lease Year shall end on the Lease Expiration Date. For purposes of this Lease, the term "**Lease Month**" shall mean each succeeding calendar month during the Lease Term; provided that the first Lease Month shall commence on the Lease Commencement Date and shall end on the last day of the first (1st) full calendar month of the Lease Term and that the last Lease Month shall expire on the Lease Expiration Date. At any time during the Lease Term, Landlord may deliver to Tenant a notice in the form as set forth in **Exhibit C**, attached hereto, as a confirmation only of the information set forth therein, which Tenant shall execute and return to Landlord within five (5) days of receipt thereof. Landlord and Tenant hereby acknowledge that Tenant leases certain space commonly known as Suite 400 on the fourth (4th) floor of that certain building located at 3611 Valley Centre

Drive from another tenant (the "**Sublease Premises**"). If the Lease Commencement Date shall occur after the expiration date (i.e., after May 31, 2020) or earlier termination of such sublease of the Sublease Premises, then Landlord and Tenant shall enter into a direct lease for the Sublease Premises in a form materially consistent with **Exhibit I** attached hereto for a term commencing on the expiration of such sublease and expiring on the Lease Commencement Date.

2.2 **Option Term(s)**.

2.2.1 **Option Right**. Landlord hereby grants the Original Tenant and its Permitted Transferee Assignee, two (2) options to extend the Lease Term for the entire then existing Premises (including any First Refusal Space leased by Tenant in accordance with Section 1.3, above), each by a period of five (5) years (each, an "**Option Term**"). Such option shall be exercisable only by "Notice" (as that term is defined in Section 29.18 of this Lease) delivered by Tenant to Landlord as provided below, provided that, as of the date of delivery of such Notice, (i) Tenant is not then in economic or material non-economic default under this Lease, and (ii) Tenant has not been in economic or material non-economic default under this Lease (beyond the applicable written notice and cure periods) more than twice during the prior eighteen (18) months. Upon the proper exercise of such option to extend, and provided that, at Landlord's election, as of the end of the then applicable Lease Term, (A) Tenant is not in default under this Lease, (B) Tenant has not been in economic or material non-economic default under this Lease (beyond the applicable notice and cure periods) more than twice during the prior eighteen (18) months, then the Lease Term, as it applies to the entire Premises, shall be extended for a period of five (5) years. The rights contained in this Section 2.2 shall only be exercised by the Original Tenant or its Permitted Transferee Assignee (and not any other assignee, sublessee or other transferee of the Original Tenant's interest in this Lease) if Original Tenant and/or its Permitted Transferee Assignee is in occupancy of at least seventy-five percent (75%) of the then-existing Premises.

2.2.2 **Option Rent**. The Rent payable by Tenant during the Option Term (the "**Option Rent**") shall be equal to the "Market Rent," as that term is defined in, and determined pursuant to, **Exhibit H** attached hereto; provided, however, that the Market Rent for each Lease Year during the Option Term, shall be equal to the amount set forth on a "Market Rate Schedule," as that term is defined below. The "**Market Rate Schedule**" shall be derived from the Market Rent for the Option Term as determined pursuant to **Exhibit H**, attached hereto, as follows: (i) the Market Rent for the first Lease Year of the Option Term shall be equal to the sum of (a) the Market Rent, as determined pursuant to **Exhibit H**, (b) the amount of Direct Expenses applicable to the Premises, as reasonably determined by Landlord, for the calendar year in which the Option Term commences, and (c) an amount equal to the monthly amortization reimbursement payment for the "Renewal Allowance" (as defined in Section 3 of **Exhibit H** to this Lease) to be paid by Landlord in connection with Tenant's lease of the Premises for the Option Term, with such Renewal Allowance being amortized at eight percent (8%) per annum, and (ii) the Market Rent for each subsequent Lease Year shall be equal to one hundred three percent (103%) of the prior Lease Year's Market Rent. The calculation of the Market Rent shall be derived from a review of, and comparison to, the "Net Equivalent Lease Rates" of the "Comparable Transactions," as provided for in **Exhibit H**. For clarity, and in connection with the determination of Market Rent, the Base Year shall be reestablished for any Option Term as the first full calendar year of such Option Term.

2.2.3 **Exercise of Option**. The option contained in this Section 2.2 shall be exercised by Tenant, if at all, only in the manner set forth in this Section 2.2. Tenant shall deliver notice (the "**Exercise Notice**") to Landlord not more than eighteen (18) months nor less than twelve (12) months prior to the expiration of the then-existing Lease Term, stating that Tenant is exercising its option. Concurrently with such Exercise Notice, Tenant shall deliver to Landlord Tenant's calculation of the Market Rent (the "**Tenant's Option Rent Calculation**"). Landlord shall deliver notice (the "**Landlord Response Notice**") to Tenant on or before the date which is thirty (30) days after Landlord's receipt of the Exercise Notice and Tenant's Option Rent Calculation, stating that (A) Landlord is accepting Tenant's Option Rent Calculation as the Market Rent, or (B) rejecting Tenant's Option Rent Calculation and setting forth Landlord's calculation of the Market Rent (the "**Landlord's Option Rent Calculation**"). Within ten (10) business days of its receipt of the Landlord Response Notice, Tenant may, at its option, either (x) affirmatively accept the Market Rent contained in the Landlord's Option Rent Calculation, (y) rescind it's Exercise Notice in writing, in which event this Lease shall terminate as to the Premises and any First Offer Space as otherwise scheduled (i.e., as if such Exercise Notice was never delivered), or

(z) reject such Market Rent, which rejection will be deemed to have been made if Tenant fails to timely accept or rescind pursuant to clauses (x) and (y) hereinabove, in which case the parties shall follow the procedure set forth in Section 2.2.4 below, and the Market Rent shall be determined in accordance with the terms of Section 2.2.4 below.

2.2.4 **Determination of Market Rent**. In the event Tenant timely and appropriately exercises its option to extend the Lease but rejects the Option Rent set forth in the Landlord's Option Rent Calculation pursuant to Section 2.2.3, above, then Landlord and Tenant shall attempt to agree upon the Option Rent using their best good-faith efforts. If Landlord and Tenant fail to reach agreement upon the Option Rent applicable to the Option Term on or before the date that is ninety (90) days prior to the expiration of the initial Lease Term (the "**Outside Agreement Date**"), then either or both of Landlord and Tenant may update their respective determination of the Option Rent within five (5) business days following the Outside Agreement Date; provided, however, in no event shall either party so update their determination of the Option Rent in manner more beneficial to themselves than their original determination (*i.e.*, in the case of the Landlord, such updated determination shall not indicate an Option Rent in excess of Landlord's Option Rent Calculation and in the case of Tenant, such updated determination shall not indicate an Option Rent less than Tenant's Option Rent Calculation). If either party timely provides the other with an updated determination of Option Rent in accordance with the preceding sentence, then the parties shall again attempt to reach agreement within fifteen (15) business days following the Outside Agreement Date. If neither party timely provides an updated determination of Option Rent, or if they have failed to reach agreement upon the Option Rent on or before the date which is fifteen (15) business days following the Outside Agreement Date, the Option Rent shall be determined by arbitration pursuant to the terms of this Section 2.2.4. In such event, each party's most recently updated determinations of Option Rent shall be submitted to arbitration in accordance with Section 2.2.4.1 through Section 2.2.4.4, below.

2.2.4.1 Landlord and Tenant shall each appoint one arbitrator who shall by profession be a MAI appraiser who shall have been active over the five (5) year period ending on the date of such appointment in the appraising and/or leasing of first class office properties in the vicinity of the Building. The determination of the arbitrators shall be limited solely to the issue area of whether Landlord's or Tenant's most recently submitted Option Rent determination is the closest to the actual Option Rent as determined by the arbitrators, taking into account the requirements of Section 2.2.2 of this Lease. Each such arbitrator shall be appointed within thirty (30) days after the Outside Agreement Date. Landlord and Tenant may consult with their selected arbitrators prior to appointment and may select an arbitrator who is favorable to their respective positions (including an arbitrator who has previously represented Landlord and/or Tenant, as applicable). The arbitrators so selected by Landlord and Tenant shall be deemed "**Advocate Arbitrators**."

2.2.4.2 The two Advocate Arbitrators so appointed shall be specifically required pursuant to an engagement letter within ten (10) days of the date of the appointment of the last appointed Advocate Arbitrator to agree upon and appoint a third arbitrator ("**Neutral Arbitrator**") who shall be qualified under the same criteria set forth hereinabove for qualification of the two Advocate Arbitrators except that (i) neither the Landlord or Tenant or either parties' Advocate Arbitrator may, directly, or indirectly, consult with the Neutral Arbitrator prior or subsequent to his or her appearance, and (ii) the Neutral Arbitrator cannot be someone who has represented Landlord and/or Tenant during the five (5) year period prior to such appointment. The Neutral Arbitrator shall be retained via an engagement letter jointly prepared by Landlord's counsel and Tenant's counsel.

2.2.4.3 Within ten (10) days following the appointment of the Neutral Arbitrator, Landlord and Tenant shall enter into an arbitration agreement (the "**Arbitration Agreement**") which shall set forth the following:

2.2.4.3.1 Each of Landlord's and Tenant's best and final and binding determination of the Option Rent exchanged by the parties pursuant to Section 2.2.4, above;

2.2.4.3.2 An agreement to be signed by the Neutral Arbitrator, the form of which agreement shall be attached as an exhibit to the Arbitration Agreement, whereby the Neutral Arbitrator shall agree to undertake the arbitration and render a decision in accordance with the terms of this Lease, as modified by the Arbitration Agreement, and shall require the

Neutral Arbitrator to demonstrate to the reasonable satisfaction of the parties that the Neutral Arbitrator has no conflicts of interest with either Landlord or Tenant;

2.2.4.3.3 Instructions to be followed by the Neutral Arbitrator when conducting such arbitration;

2.2.4.3.4 That Landlord and Tenant shall each have the right to submit to the Neutral Arbitrator (with a copy to the other party), on or before the date that occurs fifteen (15) days following the appointment of the Neutral Arbitrator, an advocate statement (and any other information such party deems relevant) prepared by or on behalf of Landlord or Tenant, as the case may be, in support of Landlord's or Tenant's respective determination of Option Rent (the "**Briefs**");

2.2.4.3.5 That within five (5) business days following the exchange of Briefs, Landlord and Tenant shall each have the right to provide the Neutral Arbitrator (with a copy to the other party) with a written rebuttal to the other party's Brief (the "**First Rebuttals**"); provided, however, such First Rebuttals shall be limited to the facts and arguments raised in the other party's Brief and shall identify clearly which argument or fact of the other party's Brief is intended to be rebutted;

2.2.4.3.6 That within five (5) business days following the parties' receipt of each other's First Rebuttal, Landlord and Tenant, as applicable, shall each have the right to provide the Neutral Arbitrator (with a copy to the other party) with a written rebuttal to the other party's First Rebuttal (the "**Second Rebuttals**"); provided, however, such Second Rebuttals shall be limited to the facts and arguments raised in the other party's First Rebuttal and shall identify clearly which argument or fact of the other party's First Rebuttal is intended to be rebutted;

2.2.4.3.7 The date, time and location of the arbitration, which shall be mutually and reasonably agreed upon by Landlord and Tenant, taking into consideration the schedules of the Neutral Arbitrator, the Advocate Arbitrators, Landlord and Tenant, and each party's applicable consultants, which date shall in any event be within forty-five (45) days following the appointment of the Neutral Arbitrator;

2.2.4.3.8 That no discovery shall take place in connection with the arbitration, other than to verify the factual information that is presented by Landlord or Tenant;

2.2.4.3.9 That the Neutral Arbitrator shall not be allowed to undertake an independent investigation or consider any factual information other than presented by Landlord or Tenant, except that the Neutral Arbitrator shall be permitted to visit the Project and the buildings containing the Comparable Transactions;

2.2.4.3.10 The specific persons that shall be allowed to attend the arbitration;

2.2.4.3.11 Tenant shall have the right to present oral arguments to the Neutral Arbitrator at the arbitration for a period of time not to exceed three (3) hours ("**Tenant's Initial Statement**");

2.2.4.3.12 Following Tenant's Initial Statement, Landlord shall have the right to present oral arguments to the Neutral Arbitrator at the arbitration for a period of time not to exceed three (3) hours ("**Landlord's Initial Statement**");

2.2.4.3.13 Following Landlord's Initial Statement, Tenant shall have up to two (2) additional hours to present additional arguments and/or to rebut the arguments of Landlord ("**Tenant's Rebuttal Statement**");

2.2.4.3.14 Following Tenant's Rebuttal Statement, Landlord shall have up to two (2) additional hours to present additional arguments and/or to rebut the arguments of Tenant;

2.2.4.3.15 That, not later than ten (10) days after the date of the arbitration, the Neutral Arbitrator shall render a decision (the "**Ruling**") indicating whether Landlord's or Tenant's submitted Option Rent is closer to the Option Rent;

2.2.4.3.16 That following notification of the Ruling, Landlord's or Tenant's submitted Option Rent determination, whichever is selected by the Neutral Arbitrator as being closer to the Option Rent shall become the then applicable Option Rent; and

2.2.4.3.17 That the decision of the Neutral Arbitrator shall be binding on Landlord and Tenant.

2.2.4.3.18 If a date by which an event described in Section 2.2.4.3, above, is to occur falls on a weekend or a holiday, the date shall be deemed to be the next business day.

2.2.4.4 In the event that the Option Rent shall not have been determined pursuant to the terms hereof prior to the commencement of the Option Term, Tenant shall be required to pay the Option Rent, initially provided by Landlord to Tenant, and upon the final determination of the Option Rent, the payments made by Tenant shall be reconciled with the actual amounts due, and the appropriate party shall make any corresponding payment to the other party.

ARTICLE 3

BASE RENT

3.1 **In General**. Tenant shall pay, without prior notice or demand, to Landlord or Landlord's agent at the management office of the Project, or, at Landlord's option, at such other place as Landlord may from time to time designate in writing, by a check for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, base rent ("**Base Rent**") as set forth in Section 4 of the Summary, payable in equal monthly installments as set forth in Section 4 of the Summary in advance on or before the first day of each and every calendar month during the Lease Term, without any setoff or deduction whatsoever, except as expressly set forth in this Lease or otherwise agreed to in writing in advance by Landlord. In accordance with Section 4 of the Summary, any increases in Base Rent shall occur on the first day of the applicable Lease Month. The parties acknowledge, however, that Tenant shall pay Base Rent for each "calendar month" of the Lease Term (or a prorated portion of a "calendar month", as applicable), even though the first "Lease Month" may pertain to a period longer than one (1) calendar month. The Base Rent for the first full month of the Lease Term which occurs after the expiration of any free rent period shall be paid at the time of Tenant's execution of this Lease. If any payment of Rent is for a period which is shorter than one month, the Rent for any such fractional month shall accrue on a daily basis during such fractional month and shall total an amount equal to the product of (i) a fraction, the numerator of which is the number of days in such fractional month and the denominator of which is the actual number of days occurring in such calendar month, and (ii) the then-applicable Monthly Installment of Base Rent. All other payments or adjustments required to be made under the TCCs of this Lease that require proration on a time basis shall be prorated on the same basis.

3.2 **Base Rent Abatement**. Provided that no event of default is occurring during the […***…] month period commencing on the first (1st) day of the […***…] full calendar month of the Lease Term and ending on the last day of the […***…] full calendar month of the Lease Term (the "**Base Rent Abatement Period**"), Tenant shall not be obligated to pay any Base Rent otherwise attributable to the Premises during such Base Rent Abatement Period (the "**Base Rent Abatement**"). Landlord and Tenant acknowledge that the aggregate amount of the Base Rent Abatement equals […***…] (*i.e.*, […***…] per month). Tenant acknowledges and agrees that during such Base Rent Abatement Period, such abatement of Base Rent for the Premises shall have no effect on the calculation of any future increases in Base Rent or Direct Expenses payable by Tenant pursuant to the terms of this Lease, which increases shall be calculated without regard to such Base Rent Abatement. Additionally, Tenant shall be obligated to pay any "Additional Rent" (as that term is defined in Section 4.1 of this Lease) during the Base Rent Abatement Period which are attributable to above-standard services pursuant to Section 6.2 of this Lease or similar, direct reimbursables (as opposed to Tenant's Share of Direct Expenses which first become payable in accordance with the penultimate sentence of Section 4.1 of this Lease). Tenant acknowledges and agrees that the foregoing Base Rent Abatement has been granted to Tenant as additional consideration for entering into this Lease, and for agreeing to pay the Base Rent and perform the terms and conditions otherwise required under this Lease. If this Lease is terminated pursuant to Section 19.2.1 below', then the dollar amount of the unapplied portion of the Base Rent

Abatement as of the date of such termination shall be converted to a credit to be applied to the Base Rent applicable at the end of the Lease Term and Tenant shall immediately be obligated to begin paying Base Rent for the Premises in full. The foregoing Base Rent Abatement right set forth in this Section 3.2 shall be personal to the Original Tenant and shall only apply to the extent that the Original Tenant and any Permitted Transferee Assignee (and not any other assignee, or any sublessee or other transferee of the Original Tenant's interest in this Lease) is the Tenant under this Lease during such Base Rent Abatement Period.

ARTICLE 4

ADDITIONAL RENT

4.1 **In General**. In addition to paying the Base Rent specified in Article 3 of this Lease, Tenant shall pay "Tenant's Share" of the annual "Direct Expenses," as those terms are defined in Sections 4.2.6 and 4.2.2, respectively, of this Lease, which are in excess of the amount of Direct Expenses applicable to the "Base Year," as that term is defined in Section 4.2.1, below; provided, however, that in no event shall any decrease in Direct Expenses for any "Expense Year" (as that term is defined in Section 4.2.3, below) below Direct Expenses for the Base Year entitle Tenant to any decrease in Base Rent or any credit against sums due under this Lease. Such payments by Tenant, together with any and all other amounts payable by Tenant to Landlord pursuant to the TCCs of this Lease, are hereinafter collectively referred to as the "**Additional Rent**," and the Base Rent and the Additional Rent are herein collectively referred to as "**Rent**." All amounts due under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner as the Base Rent; provided, however, the parties hereby acknowledge that the first monthly installment of Tenant's Share of any "Estimated Excess," as that term is set forth in, and pursuant to the terms and conditions of, Section 4.4.2 of this Lease, shall first be due and payable for the calendar month occurring immediately following the later of (i) the first (1st) anniversary of the Lease Commencement Date, or (ii) the expiration of the Base Year. Without limitation on other obligations of Tenant which survive the expiration of the Lease Term, but subject to the terms and conditions of Section 4.4.1, below, the obligations of Tenant to pay the Additional Rent attributable to the Lease Term as provided for in this Article 4 shall otherwise survive the expiration of the Lease Term.

4.2 **Definitions of Key Terms Relating to Additional Rent**. As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 "**Base Year**" shall mean the period set forth in Section 5 of the Summary.

4.2.2 "**Direct Expenses**" shall mean "Operating Expenses" and "Tax Expenses." ′

4.2.3 "**Expense Year**" shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires, provided that Landlord, upon notice to Tenant, may change the Expense Year from time to time to any other twelve (12) consecutive month period, and, in the event of any such change, Tenant's Share of Direct Expenses shall be equitably adjusted for any Expense Year involved in any such change.

4.2.4 "**Operating Expenses**" ""shall mean all expenses, costs and amounts of every kind and nature which Landlord pays or accrues during any Expense Year because of or in connection with the ownership, management, maintenance, security, repair, replacement, renovation, restoration or operation of the Project, or any portion thereof, in accordance with sound real estate management and accounting practices, consistently applied. Without limiting the generality of the foregoing, Operating Expenses shall specifically include any and all of the following: (i) the cost of supplying all utilities (but excluding the cost of electricity, consumed in the Premises, the premises of other tenants of the Building, the vacant but otherwise rentable premises in the Building, and any other buildings in the Project (since Tenant is separately paying for the cost of electricity pursuant to Section 6.1.2 of this Lease)), the cost of operating, repairing, replacing, maintaining, renovating and restoring the utility, telephone, mechanical, sanitary, storm drainage, and Building elevator systems, and the cost of maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections and the cost of contesting any governmental enactments which may affect Operating Expenses, and the costs

incurred in connection with a governmentally mandated transportation system management program or similar program; (iii) the cost of all insurance carried by Landlord in connection with the Project; (iv) the cost of landscaping, relamping, and all supplies, tools, equipment and materials used in the operation, repair and maintenance of the Project, or any portion thereof; (v) costs incurred in connection with the parking areas servicing the Project; (vi) fees and other costs, including management fees, consulting fees, legal fees and accounting fees, of all contractors and consultants in connection with the management, operation, maintenance, replacement, renovation, repair and restoration of the Project (provided such management fees shall not exceed three percent (3.0%) of Gross Rent); (vii) payments under any equipment rental agreements and the fair rental value of any management office space; (viii) wages, salaries and other compensation and benefits, including taxes levied thereon, of all persons (other than persons generally considered to be higher in rank than the position of "Senior Asset Manager") engaged in the operation, maintenance and security of the Project; (ix) costs under any instrument pertaining to the sharing of costs by the Project; (x) operation, repair, maintenance, renovation, replacement and restoration of all systems and equipment and components thereof of the Project; (xi) the cost of janitorial, alarm, security and other services, replacement, renovation, restoration and repair of wall and floor coverings, ceiling tiles and fixtures in common areas, maintenance, replacement, renovation, repair and restoration of curbs and walkways, repair to roofs and re-roofing; (xii) amortization of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Project, or any portion thereof (which amortization calculation shall include interest at the "Interest Rate," as that term is set forth in Article 25 of this Lease); (xiii) the cost of capital improvements or other costs incurred in connection with the Project (A) which are intended to effect economies in the operation or maintenance of the Project, or any portion thereof, (B) that are required to comply with present or anticipated conservation programs, (C) which are replacements or modifications of nonstructural items located in the Common Areas required to keep the Common Areas in good order or condition, (D) that are required under any governmental law or regulation by a federal, state or local governmental agency, except for capital repairs, replacements or other improvements to remedy a condition existing prior to the Lease Commencement Date which an applicable governmental authority, if it had knowledge of such condition prior to the Lease Commencement Date, would have then required to be remedied pursuant to then-current governmental laws or regulations in their form existing as of the Lease Commencement Date and pursuant to the then-current interpretation of such governmental laws or regulations by the applicable governmental authority as of the Lease Commencement Date, (E) which are required in order for the Project, or any portion thereof, to obtain or maintain a certification under the U.S. Green Building Council's Leadership in Energy and Environmental Design ("**LEED**"), or other applicable certification agency in connection with Landlord's sustainability practices for the Project (as such sustainability practices are to be determined by Landlord, in its sole and absolute discretion, from time to time), or (F) that relate to the safety or security of the Project; provided, however, that any capital expenditure shall be amortized with interest at the Interest Rate over either (X) its useful life as Landlord shall reasonably determine in accordance with sound real estate management and accounting practices, consistently applied, or (Y) with respect to those items included under item (A) above, their recovery/payback period as Landlord shall reasonably determine in accordance with sound real estate management and accounting practices, consistently applied; (xiv) costs, fees, charges or assessments imposed by, or resulting from any mandate imposed on Landlord by, any federal, state or local government for fire and police protection, trash removal, community services, or other services which do not constitute "Tax Expenses" as that term is defined in Section 4.2.5, below; (xv) payments under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the sharing of costs by the Project and (xvi) costs of any additional services not provided to the Project as of the Lease Commencement Date but which are thereafter provided by Landlord in connection with its prudent management of the Project. Notwithstanding the foregoing, for purposes of this Lease, Operating Expenses shall not, however, include:

(a) costs, including marketing costs, legal fees, space planners' fees, advertising and promotional expenses, and brokerage fees incurred in connection with the original construction or development, or original or future leasing of the Project, and costs, including permit, license and inspection costs, incurred with respect to the installation of improvements made for new tenants initially occupying space in the Project after the Lease Commencement Date or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project (excluding, however, such costs relating to any common areas of the Project or parking facilities);

(b) depreciation, interest and principal payments on mortgages and other debt costs, if any, penalties and interest;

(c) costs for which the Landlord is reimbursed by any tenant or occupant of the Project or by insurance by its carrier or any tenant's carrier or by anyone else (except to the extent of deductibles), and electric power costs for which any tenant directly contracts with the local public service company;

(d) any bad debt loss, rent loss, or reserves for bad debts or rent loss;

(e) costs associated with the operation of the business of the partnership or entity which constitutes the Landlord, as the same are distinguished from the costs of operation of the Project (which shall specifically include, but not be limited to, accounting costs associated with the operation of the Project). Costs associated with the operation of the business of the partnership or entity which constitutes the Landlord include costs of partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee, costs of selling, syndicating, financing, mortgaging or hypothecating any of the Landlord's interest in the Project (including the costs incurred by Landlord to address any title-related issues with regard to the Project), and costs incurred in connection with any disputes between Landlord and its employees, between Landlord and Project management, or between Landlord and other tenants or occupants, and Landlord's general corporate overhead and general and administrative expenses;

(f) the wages and benefits of any employee who does not devote substantially all of his or her employed time to the Project unless such wages and benefits are prorated to reflect time spent on operating and managing the Project vis-a-vis time spent on matters unrelated to operating and managing the Project; provided, that in no event shall Operating Expenses for purposes of this Lease include wages and/or benefits attributable to personnel above the level of Senior Asset Manager;

(g) amount paid as ground rental for the Project by the Landlord;

(h) overhead and profit increment paid to the Landlord or to subsidiaries or affiliates of the Landlord for services in the Project to the extent the same exceeds the costs of such services rendered by qualified, first-class unaffiliated third parties on a competitive basis;

(i) any compensation paid to clerks, attendants or other persons in commercial concessions operated by the Landlord, provided that any compensation paid to any concierge or parking attendants at the Project shall be includable as an Operating Expense;

(j) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment which if purchased the cost of which would be excluded from Operating Expenses as a capital cost, except equipment not affixed to the Project which is used in providing janitorial or similar services and, further excepting from this exclusion such equipment rented or leased to remedy or ameliorate an emergency condition in the Project ;

(k) all items and services for which Tenant or any other tenant in the Project reimburses Landlord or which Landlord provides selectively to one or more tenants (other than Tenant) without reimbursement;

(l) costs, other than those incurred in ordinary maintenance and repair, for sculpture, paintings, fountains or other objects of art;

(m) any costs expressly excluded from Operating Expenses elsewhere in this Lease;

(n) rent for any office space occupied by Project management personnel to the extent the size or rental rate of such office space exceeds the size or fair market rental value of office space occupied by management personnel of the "Comparable Buildings," as that term is defined in Section 4 of **Exhibit H** to this Lease, with adjustment where appropriate for the size of the applicable project;

(o) costs to the extent arising from the gross negligence or willful misconduct of Landlord or its agents, employees, vendors, contractors, or providers of materials or services;

(p) costs incurred in connection with valet parking services or parking attendant costs to the extent necessitated by, and resulting from, Landlord granting other tenants in the Building more favorable parking rights (determined on a proportionate, per square foot basis); and

(q) costs incurred to comply with laws relating to the removal of hazardous material or substance (as defined under applicable law) which was in existence in the Building or on the Project prior to the Lease Commencement Date, and was of such a nature that a federal, state, local or municipal governmental authority, if it had then had knowledge of the presence of such hazardous material or substance, in the state, and under the conditions that it then existed in the Building or on the Project, would have then required the removal of such hazardous material or substance or other remedial or containment action with respect thereto, but only to the extent those laws were then being actively enforced by the applicable government authority; and costs incurred to remove, remedy, contain, or treat hazardous material or substance, which hazardous material or substance is brought into the Building or onto the Project after the date hereof by Landlord or any other tenant of the Project and is of such a nature, at that time, that a federal, state, local or municipal governmental authority, if it had then had knowledge of the presence of such hazardous material or substance, in the state, and under the conditions, that it then exists in the Building or on the Project, would have then required the removal of such hazardous material or substance or other remedial or containment action with respect thereto, but only to the extent those laws were then being actively enforced by the applicable government authority.

If Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would be included in Operating Expenses) to a tenant who has undertaken to perform such work or service in lieu of the performance thereof by Landlord, Operating Expenses for the Base Year and/or any subsequent Expense Year shall be deemed to be increased by an amount equal to the additional Operating Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such work or service to such tenant. If the Project is not at least one hundred percent (100%) occupied during all or a portion of the Base Year or any Expense Year, Landlord shall make an appropriate adjustment to the components of Operating Expenses for such year to determine the amount of Operating Expenses that would have been incurred had the Project been one hundred percent (100%) occupied for the entire year; and the amount so determined shall be deemed to have been the amount of Operating Expenses for such year. Operating Expenses for the Base Year shall not include temporary market-wide cost increases (including utility rate increases) due to extraordinary circumstances, including, but not limited to, Force Majeure, boycotts, strikes, conservation surcharges, embargoes or shortages, or amortized costs. In no event shall each of the components of Direct Expenses for any Expense Year related to Tax Expenses be less than each of the corresponding components of Direct Expenses related to such Tax Expenses in the Base Year. Landlord shall not (i) make a profit by charging items to Operating Expenses that are otherwise also charged separately to others and (ii) subject to Landlord's right to adjust the components of Operating Expenses described above in this paragraph, collect Operating Expenses from Tenant and all other tenants in the Building in an amount in excess of what Landlord incurs for the items included in Operating Expenses.

Further, notwithstanding the foregoing, in no event shall "Controllable Expenses," as that term is defined, below, for any Expense Year following the Base Year (i.e., the 2020 Expense Year) increase by more than five percent (5%) per Expense Year, calculated on a compounded basis. Without limitation of the foregoing, and for exemplary purposes only, if Controllable Expenses for the 2021 Expense Year are One Hundred Thousand and No/100 Dollars ($100,000.00), then Controllable Expenses for the 2022 Expense Year could not exceed One Hundred Five Thousand and No/100 Dollars ($105,000.00), Controllable Expenses for the 2023 Expense Year could not exceed One Hundred Ten Thousand Two Hundred Fifty and No/100 Dollars ($110,250.00) and Controllable Expenses for the 2024 Expenses Year could not exceed One Hundred Fifteen Thousand Seven Hundred Sixty-Two and 50/100 Dollars ($115,762.50). For purposes of this Lease, "**Controllable Expenses**" shall mean (i) the fee charged for the property management of the Project, (ii) the amount of rent, if applicable, charged to Operating Expenses as rent for the Project management office, and (iii) the costs of janitorial service contracts, security service contracts, landscaping contracts, HVAC maintenance contracts, elevator maintenance

contracts, and life safety maintenance contracts; provided, however, that notwithstanding anything contained in this paragraph to the contrary, Controllable Expenses shall not include (A) the cost of union labor, which shall include current union labor as of the date of this Lease and labor which is not union as of the date of this Lease but which unionizes after the date of this Lease, (B) market-wide labor-rate increases due to extraordinary circumstances, including without limitation, boycotts and strikes, (C) costs incurred due to an event of "Force Majeure," as that term is defined in Section 29.16 of this Lease, and (D) costs incurred to comply with "Applicable Laws," as that term is defined in Article 24 of this Lease.

4.2.5 **Taxes**.

4.2.5.1 "**Tax Expenses**" shall mean all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Project, or any portion thereof), which shall be paid or accrued during any Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) because of or in connection with the ownership, leasing and operation of the Project, or any portion thereof (including, without limitation, the land upon which the Building and the parking structure adjacent to the Building are located).

4.2.5.2Tax Expenses shall include, without limitation: (i) Any tax on the rent, right to rent or other income from the Project, or any portion thereof, or as against the business of leasing the Project, or any portion thereof; (ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("**Proposition 13**") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, Tax Expenses shall also include any governmental or private assessments or the Project's contribution towards a governmental or private cost-sharing agreement for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies; (iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Rent payable hereunder, including, without limitation, any business or gross income tax or excise tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; (iv) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises; and (v) all of the real estate taxes and assessments imposed upon or with respect to the Building and all of the real estate taxes and assessments imposed on the land and improvements comprising the Project.

4.2.5.3 Any costs and expenses (including, without limitation, reasonable attorneys' fees) incurred in attempting to protest, reduce or minimize Tax Expenses shall be included in Tax Expenses in the Expense Year such expenses are paid. Except as set forth in Section 4.2.5.4, below, refunds of Tax Expenses shall be credited against Tax Expenses and refunded to Tenant regardless of when received, based on the Expense Year to which the refund is applicable, provided that in no event shall the amount to be refunded to Tenant for any such Expense Year exceed the total amount paid by Tenant as an increase in Tax Expenses under this Article 4 for such Expense Year. If Tax Expenses for any period during the Lease Term or any extension thereof are increased after payment thereof for any reason, including, without limitation, error or reassessment by applicable governmental or municipal authorities, Tenant shall pay Landlord upon demand Tenant's Share of any such increased Tax Expenses included by Landlord as Building Tax Expenses pursuant to the TCCs of this Lease. Notwithstanding anything to the contrary contained in this Section 4.2.5 (except as set forth in Section 4.2.5.2, above), there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes (whether or not

calculated on gross rents), gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes (including withholding taxes whether or not calculate on gross rents), and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Project), (ii) any items included as Operating Expenses, and (iii) any items paid by Tenant under Section 4.5 of this Lease. Notwithstanding anything to the contrary set forth in this Lease, only Landlord may institute proceedings to reduce Tax Expenses and the filing of any such proceeding by Tenant without Landlord's consent shall constitute an event of default by Tenant under this Lease. Notwithstanding the foregoing, Landlord shall not be obligated to file any application or institute any proceeding seeking a reduction in Tax Expenses.

4.2.5.4 Notwithstanding anything to the contrary set forth in this Lease, the amount of Tax Expenses for the Base Year and any Expense Year shall be calculated without taking into account any decreases in real estate taxes obtained in connection with Proposition 8, and, therefore, the Tax Expenses in the Base Year and/or an Expense Year may be greater than those actually incurred by Landlord, but shall, nonetheless, be the Tax Expenses due under this Lease; provided that (i) any costs and expenses incurred by Landlord in securing any Proposition 8 reduction shall not be included in Direct Expenses for purposes of this Lease, (ii) tax refunds under Proposition 8 shall not be deducted from Tax Expenses, but rather shall be the sole property of Landlord, and (iii) for purposes of calculating Tax Expenses for the Base Year, Tax Expenses shall be adjusted, on a basis consistent with sound real estate accounting principles, to reflect an assessment for (and Tax Expenses for) the Office Center on a one hundred percent (100%) leased, completed and occupied basis. Landlord and Tenant acknowledge that this Section 4.2.5.4 is not intended to in any way affect (A) the inclusion in Tax Expenses of the statutory two percent (2.0%) annual maximum allowable increase in Tax Expenses (as such statutory increase may be modified by subsequent legislation), or (B) the inclusion or exclusion of Tax Expenses pursuant to the terms of Proposition 13, which shall be governed pursuant to the terms of Sections 4.2.5.1 through 4.2.5.3, above.

4.2.6 "**Tenant's Share**" shall mean the percentage set forth in Section 6 of the Summary.

4.3 **Allocation of Direct Expenses**.

4.3.1 **Method of Allocation**. The parties acknowledge that the Building is a part of the multi-building Office Center, which Office Center is, in turn, part of the larger mixed-use Project, and that the costs and expenses incurred in connection with the greater Project (i.e., the Direct Expenses) should be shared, as applicable, between the tenants of the Building, the tenants of the other office buildings in the Office Center, and the other tenants and residents of the remainder of the Project. Accordingly, as set forth in Section 4.2 above, certain Direct Expenses (which consists of Operating Expenses and Tax Expenses) are determined annually for the Office Center and/or the Project as a whole, and a portion of such Direct Expenses, which portion ***shall*** be determined by Landlord on an equitable basis, ***shall*** be allocated to the tenants of the Building (as opposed to the tenants and residents of any other buildings in the Project) and such portion ***shall*** be the Direct Expenses for purposes of this Lease. Such portion of Direct Expenses so allocated to the tenants of the Building shall include (x) all Direct Expenses attributable solely to the Building, (y) an equitable portion of the Direct Expenses attributable to the Office Center, and (z) an equitable portion of the Direct Expenses attributable to the Project as a whole.

4.3.2 **Cost Pools**. Landlord shall, to the extent commercially reasonable, equitably allocate the Direct Expenses among different portions or occupants of the Building, the Office Center, other retail and residence areas and/or the Project, as appropriate (the "**Cost Pools**"), in Landlord's reasonable discretion. The Direct Expenses within each such Cost Pool shall be allocated and charged to the tenants (or residents) within such Cost Pool in an equitable manner.

4.4 **Calculation and Payment of Additional Rent**. If for any Expense Year ending or commencing within the Lease Term, Tenant's Share of Direct Expenses for such Expense Year exceeds Tenant's Share of Direct Expenses applicable to the Base Year, then Tenant shall pay to Landlord, in the manner set forth in Section 4.4.1, below, and as Additional Rent, an amount equal to the excess (the "**Excess**").

4.4.1 **Statement of Actual Direct Expenses and Payment by Tenant**. Landlord shall give to Tenant following the end of each Expense Year, a statement (the

"**Statement**") which shall state in general major categories the Direct Expenses incurred or accrued for the particular Expense Year, and which shall indicate the amount of the Excess. Landlord shall use commercially reasonable efforts to deliver such Statement to Tenant on or before May 1 following the end of the Expense Year to which such Statement relates; provided, however, in no event shall Landlord deliver such Statement later than September 30th following the end of the Expense Year to which the Statement relates; provided further, however, and to ensure such Statement is as complete as reasonably practicable, Landlord shall use commercially reasonable efforts to ensure the inclusion of all Direct Expenses relating to the corresponding Expense Year to the extent Landlord is then in possession of invoices and other necessary expense information required to include the same. Upon receipt of the Statement for each Expense Year commencing or ending during the Lease Term, if an Excess is present, Tenant shall pay, within thirty (30) days after receipt of the Statement, the full amount of the Excess for such Expense Year, less the amounts, if any, paid during such Expense Year as "Estimated Excess," as that term is defined in Section 4.4.2, below, and if Tenant paid more as Estimated Excess than the actual Excess, Tenant shall receive a credit in the amount of Tenant's overpayment against Rent next due under this Lease. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord or Tenant from enforcing its rights under this Article 4; provided, however, Tenant shall not be responsible for its share of any Direct Expenses attributable to a particular Expense Year not initially included on the corresponding Statement to the extent Landlord had in its possession, prior to the issuance date of such Statement, the invoices or other necessary information required to include the same on such Statement had Landlord used its commercially reasonable efforts as identified hereinabove. Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Direct Expenses for the Expense Year in which this Lease terminates, if an Excess is present, Tenant shall, within thirty (30) days after receipt of the Statement, pay to Landlord such amount, and if Tenant paid more as Estimated Excess than the actual Excess, Landlord shall, within thirty (30) days, deliver a check payable to Tenant in the amount of the overpayment. The provisions of this Section 4.4.1 shall survive the expiration or earlier termination of the Lease Term. Notwithstanding the immediately preceding sentence, Tenant shall not be responsible for Tenant's Share of any Direct Expenses attributable to any Expense Year which are first billed to Tenant after the July 1st first occurring after the first (1st) anniversary of the Lease Expiration Date, provided that in any event Tenant shall be responsible for Tenant's Share of Direct Expenses which (x) were levied by any governmental authority or by any public utility companies, and (y) Landlord had not previously received an invoice therefor and which are currently due and owing (i.e., costs invoiced for the first time regardless of the date when the work or service relating to this Lease was performed), at any time following the Lease Expiration Date which are attributable to any Expense Year.

4.4.2 **Statement of Estimated Direct Expenses**. In addition, Landlord shall endeavor to give Tenant a yearly expense estimate statement (the "**Estimate Statement**") which shall set forth in general major categories Landlord's reasonable estimate (the "**Estimate**") of what the total amount of Direct Expenses for the then-current Expense Year shall be and the estimated excess (the "**Estimated Excess**") as calculated by comparing the Direct Expenses for such Expense Year, which shall be based upon the Estimate, to the amount of Direct Expenses for the Base Year. The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Additional Rent under this Article 4, nor shall Landlord be prohibited from revising any Estimate Statement or Estimated Excess theretofore delivered to the extent necessary. Thereafter, Tenant shall pay, within thirty (30) days after receipt of the Estimate Statement, a fraction of the Estimated Excess for the then-current Expense Year (reduced by any amounts paid pursuant to the second to last sentence of this Section 4.4.2). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year, including the month of such payment, and twelve (12) as its denominator. Until a new Estimate Statement is furnished (which Landlord shall have the right to deliver to Tenant at any time), Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by Landlord to Tenant. Throughout the Lease Term Landlord shall maintain records with respect to Direct Expenses in accordance with sound real estate management and accounting practices, consistently applied.

4.5 **Taxes and Other Charges for Which Tenant Is Directly Responsible**.

4.5.1 Tenant shall be liable for and shall pay ten (10) days before delinquency, taxes levied against Tenant's equipment, furniture, fixtures and any other personal property located in or about the Premises. If any such taxes on Tenant's equipment, furniture, fixtures and any other personal property are levied on a clearly-identified basis against Landlord or Landlord's property or if the assessed value of Landlord's property is increased on a clearly-identified basis by the inclusion therein of a value placed upon such equipment, furniture, fixtures or any other personal property and if Landlord pays the taxes based upon such increased assessment, which Landlord shall have the right to do regardless of the validity thereof but only under proper protest if requested by Tenant, Tenant shall upon demand repay to Landlord the taxes so levied against Landlord or the proportion of such taxes resulting from such increase in the assessment, as the case may be.

4.5.2 If the improvements in the Premises, whether installed and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for real property tax purposes at a valuation higher than the valuation at which improvements conforming to Landlord's "building standard" in other space in the Building are assessed, then the Tax Expenses levied against Landlord or the property by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of Section 4.5.1, above; provided, however, Landlord and Tenant hereby acknowledge and agree that to the extent the assessed value of the initial Improvements constructed in the Premises pursuant to the Work Letter does not exceed One Hundred Twenty-Five and No/100 Dollars ($125.00) per rentable square foot of the Premises, then the same shall be deemed to conform to Landlord's "building standard".

4.5.3 Notwithstanding any contrary provision herein, Tenant shall pay prior to delinquency any (i) rent tax or sales tax, service tax, transfer tax or value added tax, or any other applicable tax on the rent or services herein or otherwise respecting this Lease, (ii) taxes assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion of the Project, including the Project parking facility; or (iii) taxes assessed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises, but only to the extent (i) through (iii) are excluded from Tax Expenses as set forth in Section 4.2.5 above.

4.6 **Landlord's Records**. Upon Tenant's written request given not more than one hundred eighty (180) days after Tenant's receipt of a Statement for a particular Expense Year, and provided that Tenant is not then in economic default under this Lease beyond the applicable notice and cure period provided in this Lease, specifically including, but not limited to, the timely payment of Additional Rent (whether or not a component thereof is the subject of the audit contemplated herein and which payment may be paid under protest), Landlord shall furnish Tenant with such reasonable supporting documentation pertaining to the calculation of the Excess set forth in the Statement as Tenant may reasonably request. Landlord shall provide said documentation pertaining to the relevant Excess to Tenant within sixty (60) days after Tenant's written request therefor. Within one hundred eighty (180) days after receipt of a Statement by Tenant (the "**Audit Period**"), if Tenant disputes the amount of the Excess set forth in the Statement, an independent certified public accountant (the "**Tenant CPA**") to the extent the Tenant CPA (A) is a member of a nationally or regionally recognized certified public accounting firm which has previous experience in auditing financial operating records of landlords of office buildings, and (B) shall not then be providing primary accounting and/or lease administration services to Tenant (C) is not working on a contingency fee basis [i.e., Tenant must be billed based on the actual time and materials that are incurred by the certified public accounting firm in the performance of the audit], and (D) shall not, at the time Tenant hires such independent certified public accountant, already be conducting an audit for another tenant in the Building and/or the Project in connection with a review or audit by such other tenant of similar expense records for the subject Expense Year(s)), designated and initially paid for by Tenant, may, after reasonable notice to Landlord and at reasonable times, audit Landlord's records with respect to the Excess set forth in the Statement at Landlord's corporate offices, provided that (*i*) Tenant has paid all amounts required to be paid under the applicable Estimate Statement and Statement, and (*ii*) a copy of the audit agreement between Tenant and its particular certified public accounting firm has been delivered to Landlord prior to the commencement of the audit. In connection with such audit, Tenant and Tenant's certified public accounting firm must agree in advance to follow Landlord's reasonable rules and procedures regarding an audit of the aforementioned Landlord records, and shall execute a

commercially reasonable confidentiality agreement regarding such audit. Any audit report prepared by Tenant's certified public accounting firm shall be delivered concurrently to Landlord and Tenant within the Audit Period. Tenant's failure to audit the amount of the Excess set forth in any Statement within the Audit Period shall be deemed to be Tenant's approval of such Statement and Tenant, thereafter, waives the right or ability to audit the amounts set forth in such Statement absent fraud or material manifest error. If after such audit, Tenant still disputes such Excess, an audit to determine the proper amount shall be made by an independent certified public accountant (the "**Accountant**") mutually and reasonably selected by Landlord and Tenant; provided that if such audit by the Accountant proves that the Direct Expenses in the subject Expense Year were overstated (x) by less than two percent (2%), then the cost of the Accountant, the cost of the Tenant CPA and the cost of such audits shall be paid for solely by Tenant, (y) by an amount from two percent (2%) to five percent (5%), then the cost of the Accountant, the reasonable cost of the Tenant CPA and the cost of such audits shall be paid for by Landlord and Tenant equally (i.e., on a 50%-50% split basis), or (z) by more than five percent (5%), then the cost of the Accountant, the reasonable cost of the Tenant CPA and the cost of such audits shall be paid for solely by Landlord. If such audit reveals that Landlord has over-charged Tenant, then within thirty (30) days after the results of such audit are made available to Landlord, Landlord shall reimburse to Tenant the amount of such over-charge. Conversely, if the audit reveals that the Tenant was under-charged, then within thirty (30) days after the results of such audit are made available to Tenant, Tenant shall reimburse to Landlord the amount of such under-charge. Tenant hereby acknowledges that Tenant's sole right to audit Landlord's records and to contest the amount of Direct Expenses payable by Tenant shall be as set forth in this Section 4.6, and Tenant hereby waives any and all other rights pursuant to applicable law to audit such records and/or to contest the amount of Direct Expenses payable by Tenant.

ARTICLE 5

USE OF PREMISES

5.1 **Permitted Use**. Tenant shall use the Premises solely for the Permitted Use set forth in Section 7 of the Summary and Tenant shall not use or permit the Premises or the Project to be used for any other purpose or purposes whatsoever without the prior written consent of Landlord, which may be withheld in Landlord's sole and absolute discretion.

5.2 **Prohibited Uses**. The uses prohibited under this Lease shall include, without limitation, use of the Premises or a portion thereof for (i) offices of any agency or bureau of the United States or any state or political subdivision thereof; (ii) offices or agencies of any foreign governmental or political subdivision thereof; (iii) offices of any health care practitioners or service organization to health care practitioners; (iv) schools or other training facilities which are not ancillary to Tenant's business or corporate, executive or professional office use; (v) retail or restaurant uses; or (vi) communications firms such as radio and/or television stations. Tenant shall not allow occupancy density for the Premises which is greater than six (6.0) persons per each one thousand (1,000) usable square feet. Tenant further covenants and agrees that it shall not use, or suffer or permit any person or persons to use, the Premises or any part thereof for any use or purpose contrary to the rules and regulations promulgated by Landlord from time to time ("**Rules and Regulations**"), the current set of which (as of the date of this Lease) is attached to this Lease as **Exhibit D**; or in violation of the laws of the United States of America, the State of California, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Project, including, without limitation, any such laws, ordinances, regulations or requirements relating to hazardous materials or substances, as those terms are defined by applicable laws now or hereafter in effect; provided, however, Landlord shall not enforce, change or modify the Rules and Regulations in a discriminatory manner and Landlord agrees that the Rules and Regulations shall not be unreasonably modified or enforced in a manner which will unreasonably interfere with the normal and customary conduct of Tenant's business. Tenant shall not do or permit anything to be done in or about the Premises which will in any way damage the reputation of the Project or obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or annoy them or use or allow the Premises to be used for any improper or unlawful purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises.

5.3 **CC&Rs**. Tenant shall comply with all recorded covenants, conditions, and restrictions currently affecting the Project. Additionally, Tenant acknowledges that the Project

may be subject to any future covenants, conditions, and restrictions (the "**CC&Rs**") which Landlord, in Landlord's discretion, deems reasonably necessary or desirable, and Tenant agrees that this Lease shall be subject and subordinate to such CC&Rs; provided, however, any such future CC&Rs shall not (i) materially and adversely affect Tenant's rights under this Lease, (ii) adversely affect Tenant's use of the Premises for the Permitted Use, or (iii) materially increase Tenant's monetary obligations under this Lease (i.e., other than in a de minimis manner). Landlord shall have the right to require Tenant to execute and acknowledge, within fifteen (15) business days of a request by Landlord, a "Recognition of Covenants, Conditions, and Restriction," in a form substantially similar to that attached hereto as **Exhibit F**, agreeing to and acknowledging the CC&Rs.

ARTICLE 6

SERVICES AND UTILITIES

6.1 **Standard Tenant Services**. Landlord shall provide the following services on all days (unless otherwise stated below) during the Lease Term.

6.1.1 Subject to reasonable changes implemented by Landlord and all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide heating, ventilation and air conditioning ("**HVAC**") when necessary for normal comfort for normal office use in the Premises from 7:00 A.M. to 6:00 P.M. Monday through Friday and 9:00 A.M. to 1:00 P.M. on Saturdays. (collectively, the "**Building Hours**"), except for the date of observation of New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and, at Landlord's discretion, other locally or nationally recognized holidays (collectively, the "**Holidays**").

6.1.2 Landlord shall provide adequate electrical wiring and facilities and electric power for normal general office use as determined by Landlord. Notwithstanding any provision to the contrary contained in this Lease, Tenant shall pay directly to the utility company pursuant to the utility company's separate meters (or to Landlord in the event Landlord provides submeters instead of the utility company's meters), the cost of all electricity provided to and/or consumed in the Premises (including normal and excess consumption and including the cost of electricity to operate the HVAC air handlers), which electricity shall be separately metered (as described above or otherwise equitably allocated and directly charged by Landlord to Tenant and other tenants of the Building). Tenant shall pay such cost (including the cost of such meters or submeters) within thirty (30) days after demand and as Additional Rent under this Lease (and not as part of the Operating Expenses). Landlord shall designate the utility provider from time to time.

6.1.3 As part of Operating Expenses, Landlord shall replace lamps, starters and ballasts for Building standard lighting fixtures within the Premises. In addition, Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building standard lighting fixtures within the Premises.

6.1.4 Landlord shall provide city water from the regular Building outlets for drinking, lavatory and toilet purposes in the Building Common Areas.

6.1.5 Landlord shall provide janitorial services to the Premises, except the date of observation of the Holidays, in and about the Premises and window washing services in a manner consistent with other Comparable Buildings.

6.1.6 Landlord shall provide nonexclusive, non-attended automatic passenger elevator service during the Building Hours, and shall have at least one elevator available at all other times. Landlord shall provide nonexclusive freight elevator service subject to scheduling by Landlord.

Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical and plumbing systems.

6.2 **Overstandard Tenant Use**. Tenant shall not, without Landlord's prior written consent, use heat-generating machines, machines other than normal fractional horsepower office machines, or equipment or lighting other than Building standard lights in the Premises, which may

affect the temperature otherwise maintained by the air conditioning system or increase the water normally furnished for the Premises by Landlord pursuant to the terms of Section 6.1 of this Lease. If such consent is given, Landlord shall have the right to require installation of supplementary air conditioning units or other facilities in the Premises, including supplementary or additional metering devices, and the cost thereof, including the cost of installation, operation and maintenance, increased wear and tear on existing equipment and other similar charges, shall be paid by Tenant to Landlord upon billing by Landlord. If Tenant uses water, electricity, heat or air conditioning in excess of that supplied by Landlord pursuant to Section 6.1 of this Lease, Tenant shall pay to Landlord, upon billing, the cost of such excess consumption, the cost of the installation, operation, and maintenance of equipment which is installed in order to supply such excess consumption, and the cost of the increased wear and tear on existing equipment caused by such excess consumption; and Landlord may install devices to separately meter any increased use and in such event Tenant shall pay the increased cost directly to Landlord, including the cost of such additional metering devices. Tenant's use of electricity shall never exceed the capacity of the feeders to the Project or the risers or wiring installation, and subject to the terms of Section 29.32, below, Tenant shall not install or use or permit the installation or use of any computer or electronic data processing equipment in the Premises, without the prior written consent of Landlord; provided that Landlord agrees that the foregoing restriction shall not apply to (i) general office use of printers and personal computers on the desktops of Tenant's employees, and (ii) separately ventilated "computer" and/or "data center" rooms approved and constructed by or for Tenant pursuant to the terms of **Exhibit B** or Article 8. If Tenant desires to use heat, ventilation or air conditioning during hours other than those for which Landlord is obligated to supply such utilities pursuant to the terms of Section 6.1 of this Lease, Tenant shall give Landlord such prior notice, if any, as Landlord shall from time to time establish as appropriate, of Tenant's desired use in order to supply such utilities, and Landlord shall supply such utilities to Tenant at such hourly cost to Tenant (which shall be treated as Additional Rent) as Landlord shall from time to time establish, which amount is currently anticipated to total Seventy-Five and No/100 Dollars ($75.00) per hour per full-floor zone.

6.3 **Interruption of Use**. Subject to Section 6.4, below, Tenant otherwise agrees that Landlord shall not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by breakage, repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building or Project after reasonable effort to do so, by any riot or other dangerous condition, emergency, accident or casualty whatsoever, by act or default of Tenant or other parties, or by any other cause beyond Landlord's reasonable control; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease. Furthermore, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Article 6.

6.4 **Abatement Event**. If (i) Landlord fails to perform the obligations required of Landlord under the TCCs of this Lease, (ii) such failure causes all or a portion of the Premises to be untenantable and unusable by Tenant, and (iii) such failure relates to (A) the nonfunctioning of the heat, ventilation, and air conditioning system in the Premises, the electricity in the Premises, the nonfunctioning of the elevator service to the Premises, or (B) a failure to provide access to the Premises, Tenant shall give Landlord notice (the "**Initial Notice**"), specifying such failure to perform by Landlord (the "**Abatement Event**"); provided, however, given Landlord's obligation under Article 7, as part of its maintenance and repair obligations with regard to Building systems, the parties agree that it will be a rebuttable presumption (barring reasonably conclusive evidence to the contrary) that any failure to provide heat, ventilation and air conditioning to the Premises HVAC distribution system, to provide electricity to the point of entry to the Premises, and/or elevator service between the Building lobby and the floors of the Building on which the Premises are located, will be the result of a Landlord failure under sub-item (i) hereinabove. If Landlord has not cured such Abatement Event within five (5) business days after the receipt of the Initial Notice, Tenant may deliver an additional notice to Landlord (the "**Additional Notice**"), specifying such Abatement Event and Tenant's intention to abate the payment of Rent under this Lease. If Landlord does not cure such Abatement Event within five (5) business days of receipt of the Additional Notice, Tenant may, upon written notice to Landlord, immediately abate Rent payable

under this Lease for that portion of the Premises rendered untenantable and not used by Tenant, for the period beginning on the date five (5) business days after the Initial Notice to the earlier of the date Landlord cures such Abatement Event or the date Tenant recommences the use of such portion of the Premises. Such right to abate Rent shall be Tenant's sole and exclusive remedy at law or in equity for an Abatement Event (as opposed to (x) any damage to the property or injury to persons as addressed by Section 10.1 of this Lease, or (y) any insured claims otherwise available to Tenant in accordance with Article 10 of this Lease). Except as provided in this Section 6.4, nothing contained herein shall be interpreted to mean that Tenant is excused from paying Rent due hereunder.

ARTICLE 7

REPAIRS

Tenant shall, at Tenant's own expense, keep the Premises, including all improvements, fixtures, equipment, interior window coverings, and furnishings therein, and the floor or floors of the Building on which the Premises is located, in good order, repair and condition at all times during the Lease Term. In addition, Tenant shall, at Tenant's own expense, but under the supervision and subject to the prior approval of Landlord, and within any reasonable period of time specified by Landlord, promptly and adequately repair all damage to the Premises and replace or repair all damaged, broken, or worn fixtures and appurtenances, except for damage caused by ordinary wear and tear or beyond the reasonable control of Tenant; provided however, that, at Landlord's option, or if Tenant fails to make such repairs, Landlord may, after written notice to Tenant and Tenant's failure to repair within five (5) days thereafter, but need not, make such repairs and replacements, and Tenant shall pay Landlord the cost thereof, including a percentage of the cost thereof (to be uniformly established for the Building and/or the Project, but in no event in excess of the percentage set forth in Section 8.3 below) sufficient to reimburse Landlord for all overhead, general conditions, fees and other costs or expenses arising from Landlord's involvement with such repairs and replacements forthwith upon being billed for same. Notwithstanding the foregoing, Landlord shall be responsible for repairs to the exterior walls, foundation and roof of the Building, the structural portions of the floors of the Building, and the systems and equipment of the Building, except to the extent that such repairs are required due to the negligence or willful misconduct of Tenant; provided, however, that if such repairs are due to the negligence or willful misconduct of Tenant, Landlord shall nevertheless make such repairs at Tenant's expense, or, if covered by Landlord's insurance, Tenant shall only be obligated to pay any deductible in connection therewith. Landlord may, but shall not be required to, enter the Premises at all reasonable times to make such repairs, alterations, improvements or additions to the Premises or to the Project or to any equipment located in the Project as Landlord shall desire or deem necessary or as Landlord may be required to do by governmental or quasi-governmental authority or court order or decree; provided, however, except for (i) emergencies, (ii) repairs, alterations, improvements or additions required by governmental or quasi-governmental authorities or court order or decree, or (iii) repairs which are the obligation of Tenant hereunder, any such entry into the Premises by Landlord shall be performed in a manner so as not to materially interfere with Tenant's use of, or access to, the Premises; provided that, with respect to items (ii) and (iii) above, Landlord shall use commercially reasonable efforts to not materially interfere with Tenant's use of, or access to, the Premises. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code or under any similar law, statute, or ordinance now or hereafter in effect.

ARTICLE 8

ADDITIONS AND ALTERATIONS

8.1 **Landlord's Consent to Alterations**. Tenant may not make any improvements, alterations, additions or changes to the Premises or any mechanical, plumbing or HVAC facilities or systems pertaining to the Premises (collectively, the "**Alterations**") without first procuring the prior written consent of Landlord to such Alterations, which consent shall be requested by Tenant not less than fifteen (15) business days prior to the commencement thereof, and which consent shall not be unreasonably withheld by Landlord, provided it shall be deemed reasonable for Landlord to withhold its consent to any Alteration which adversely affects the structural portions or the systems or equipment of the Building or is visible from the exterior of the Building. Landlord shall provide notice of approval or disapproval of an Alterations request within ten (10)

business days following the receipt of such Alterations request. Landlord's failure to provide approval or disapproval within said ten (10) business day period shall not be deemed approval or disapproval. In such event, Tenant may deliver a second request for approval at the expiration of said ten (10) business day period setting forth such failure containing the following sentence at the top of such notice in bold, capitalized font at least twelve (12) points in size: "**LANDLORD'S FAILURE TO RESPOND TO THIS NOTICE WITHIN TEN (10) DAYS SHALL RESULT IN LANDLORD'S DEEMED APPROVAL OF TENANT'S ALTERATIONS REQUEST**" (the "**Alterations Reminder Notice**"). Thereafter, Landlord's failure to provide approval or disapproval within ten (10) days following Landlord's receipt of a Alterations Reminder Notice shall conclusively be deemed approval of Tenant's Alteration as presented. Notwithstanding the foregoing, Tenant shall be permitted to make Alterations following ten (10) business days' notice to Landlord, but without Landlord's prior consent, to the extent that such Alterations do not (i) adversely affect the systems and equipment of the Building, exterior appearance of the Building, or structural aspects of the Building, (ii) adversely affect the value of the Premises or Building, (iii) require a building or construction permit, or (iv) cost more than One Hundred Thousand and 00/100 Dollars ($100,000.00) for a particular job of work (the "**Cosmetic Alterations**"). The construction of the initial improvements to the Premises shall be governed by the terms of the Work Letter and not the terms of this Article 8.

8.2 **Manner of Construction**. Landlord may impose, as a condition of its consent to any and all Alterations or repairs of the Premises or about the Premises, such requirements as Landlord in its reasonable discretion may deem desirable, including, but not limited to, the requirement that Tenant utilize for such purposes only contractors reasonably approved by Landlord, and any removal and/or restoration obligations required to be performed pursuant to the TCCs of Section 8.5 of this Lease. If Landlord shall give its consent, the consent shall be deemed conditioned upon Tenant acquiring a permit to do the work from appropriate governmental agencies, if required, the furnishing of a copy of such permit to Landlord prior to the commencement of the work, and the compliance by Tenant with all conditions of said permit in a prompt and expeditious manner. If such Alterations will involve the use of or disturb hazardous materials or substances existing in the Premises, Tenant shall notify Landlord prior to performing such Alterations and comply with Landlord's rules and regulations concerning such hazardous materials or substances. Tenant shall construct such Alterations and perform such repairs in a good and workmanlike manner, in conformance with any and all applicable federal, state, county, local or municipal laws, ordinances, rules and regulations and pursuant to a valid building permit, issued by the city in which the Building is located (or other applicable governmental authority), all in conformance with Landlord's construction rules and regulations; provided, however, that prior to commencing to construct any Alteration, Tenant shall meet with Landlord to discuss Landlord's design parameters and code compliance issues. In the event Tenant performs any Alterations in the Premises which require or give rise to governmentally required changes to the "Base Building," as that term is defined below, then Landlord shall, at Tenant's expense, make such changes to the Base Building. Since all or a portion of the Project is or may become in the future certified under the LEED rating system (or other applicable certification standard) (all in Landlord's sole and absolute discretion), Tenant expressly acknowledges and agrees that without limitation as to other grounds for Landlord withholding its consent to any proposed Alteration, Landlord shall have the right to withhold its consent to any proposed Alteration in the event that such Alteration is not compatible with such certification or recertification of the Project under such LEED rating system (or other applicable certification standard). The "**Base Building**" shall include the structural portions of the Building, and the public restrooms, elevators, exit stairwells and the systems and equipment located in the internal core of the Building on the floor or floors on which the Premises is located. In performing the work of any such Alterations, Tenant shall have the work performed in such manner so as not to obstruct access to the Project or any portion thereof, by any other tenant of the Project, and so as not to obstruct the business of Landlord or other tenants in the Project. Tenant shall not use (and upon notice from Landlord shall cease using) contractors, services, workmen, labor, materials or equipment to the extent they are disturbing labor harmony with the workforce or trades engaged in performing other work, labor or services in or about the Building or the Common Areas; provided, however, prior to any such cessation, Landlord and Tenant shall use commercially reasonable efforts to establish protocols to attempt to reestablish and maintain labor harmony. In addition to Tenant's obligations under Article 9 of this Lease, upon completion of any Alterations, Tenant agrees to cause a Notice of Completion to be recorded in the office of the Recorder of the County of San Diego in accordance with Section 8182 of the Civil Code of the State of California or any successor statute, and as a condition precedent to the enforceability and validity of Landlord's consent, Tenant shall deliver to the management

office for the Project a reproducible copy of the "as built" and CAD drawings of the Alterations, to the extent applicable, as well as all permits, approvals and other documents issued by any governmental agency in connection with the Alterations.

8.3 **Payment for Improvements**. With respect to payments to be made to Tenant's contractors for any Alterations, Tenant shall (i) comply with Landlord's requirements for final lien releases and waivers in connection with Tenant's payment for work to contractors, and (ii) sign Landlord's standard contractor's rules and regulations. If Tenant orders any work directly from Landlord, Tenant shall pay Landlord an oversight fee equal to three percent (3%) of the cost of the work to compensate Landlord for all overhead, general conditions, fees and other costs and expenses arising from Landlord's involvement with such work. If Tenant does not order any work directly from Landlord, Tenant shall reimburse Landlord for Landlord's reasonable, actual, out-of-pocket costs and expenses actually incurred in connection with Landlord's review of such work to the extent the same do not exceed three percent (3%) of the cost of such work.

8.4 **Construction Insurance**. In addition to the requirements of Article 10 of this Lease, in the event that Tenant makes any Alterations, prior to the commencement of such Alterations, Tenant shall provide Landlord with evidence that Tenant carries "Builder's Risk" insurance in an amount reasonably approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may reasonably require, it being understood and agreed that all of such Alterations shall be insured by Tenant pursuant to Article 10 of this Lease immediately upon completion thereof. In addition, Landlord may, in its reasonable discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of such Alterations and naming Landlord as a co-obligee.

8.5 **Landlord's Property**. Landlord and Tenant hereby acknowledge and agree that (i) all Alterations, improvements, fixtures, equipment and/or appurtenances which may be installed or placed in or about the Premises (excluding Tenant's removable trade fixtures, furniture or non-affixed office equipment), from time to time, shall be at the sole cost of Tenant and shall be and become part of the Premises and the property of Landlord, and (ii) the "Improvements" (as that term is defined in Section 1 of the Work Letter) to be constructed in the Premises pursuant to the TCCs of the Work Letter shall, upon completion of the same, be and become a part of the Premises and the property of Landlord. Furthermore, Landlord may, by written notice to Tenant prior to the end of the Lease Term, or given following any earlier termination of this Lease, require Tenant, at Tenant's expense, to remove any Alterations, Cosmetic Alterations or other improvements in the Premises (unless and to the extent timely identified by Landlord as a Non-Conforming Improvement in accordance with Section 2.3 of the Work Letter, excluding the initial Improvements), and to repair any damage to the Premises and Building caused by such removal and return the affected portion of the Premises to a building standard improved condition as determined by Landlord; provided, however, if, in connection with its notice to Landlord with respect to any such Alterations or Cosmetic Alterations, (*x*) Tenant requests Landlord's decision with regard to the removal of such Alterations or Cosmetic Alterations, and (*y*) Landlord thereafter agrees in writing to waive the removal requirement with regard to such Alterations or Cosmetic Alterations, then Tenant shall not be required to so remove such Alterations or Cosmetic Alterations; provided further, however, that if Tenant requests such a determination from Landlord and Landlord, within ten (10) business days following Landlord's receipt of such request from Tenant with respect to Alterations or Cosmetic Alterations, fails to address the removal requirement with regard to such Alterations or Cosmetic Alterations, Landlord shall be deemed to have agreed to waive the removal requirement with regard to such Alterations or Cosmetic Alterations. Notwithstanding the foregoing, Landlord may only require the removal of any Alterations and improvements to the extent the same consist of non-typical general office use improvements or otherwise fail to conform with then-applicable Building Standard improvements. If Tenant fails to complete such removal and/or to repair any damage caused by the removal of any Alterations or improvements in the Premises, and/or to return the affected portion of the Premises to a building standard improved condition as determined by Landlord, then at Landlord's option, either (A) Tenant shall be deemed to be holding over in the Premises and Rent shall continue to accrue in accordance with the terms of Article 16, below, until such work shall be completed, and/or (B) Landlord may do so and may charge the cost thereof to Tenant. Tenant hereby protects, defends, indemnifies and holds Landlord harmless from any liability, cost, obligation, expense or claim of lien in any manner relating to the installation, placement, removal or financing of any such Alterations (unless and to the extent Landlord has agreed that any such

Alterations may remain in the Premises as more particularly set forth in this Section 8.5, above), improvements, fixtures and/or equipment in, on or about the Premises (unless and to the extent timely identified by Landlord as a Non-Conforming Improvement in accordance with Section 2.3 of the Work Letter, excluding the initial Improvements), which obligations of Tenant shall survive the expiration or earlier termination of this Lease.

ARTICLE 9

COVENANT AGAINST LIENS

Tenant shall keep the Project and Premises free from any liens or encumbrances arising out of the work performed, materials furnished or obligations incurred by or on behalf of Tenant (excluding the initial Improvements constructed in accordance with **Exhibit B**), and shall protect, defend, indemnify and hold Landlord harmless from and against any claims, liabilities, judgments or costs (including, without limitation, reasonable attorneys' fees and costs) arising out of same or in connection therewith. Tenant shall give Landlord notice at least fifteen (15) business days (or in the case of Cosmetic Alterations, at least ten (10) days), prior to the commencement of any such work on the Premises (or such additional time as may be necessary under applicable laws) to afford Landlord the opportunity of posting and recording appropriate notices of non-responsibility. Tenant shall remove any such lien or encumbrance by bond or otherwise within ten (10) days after notice by Landlord, and if Tenant shall fail to do so, Landlord may pay the amount necessary to remove such lien or encumbrance, without being responsible for investigating the validity thereof. The amount so paid shall be deemed Additional Rent under this Lease payable upon demand, without limitation as to other remedies available to Landlord under this Lease. Nothing contained in this Lease shall authorize Tenant to do any act which shall subject Landlord's title to the Building or Premises to any liens or encumbrances whether claimed by operation of law or express or implied contract. Any claim to a lien or encumbrance upon the Building or Premises arising in connection with any such work or respecting the Premises not performed by or at the request of Landlord shall be null and void, or at Landlord's option shall attach only against Tenant's interest in the Premises and shall in all respects be subordinate to Landlord's title to the Project, Building and Premises.

ARTICLE 10

INDEMNIFICATION AND INSURANCE

10.1 **Indemnification and Waiver**. Except in connection with the gross negligence or willful misconduct of Landlord or Landlord Parties (as that term is defined hereinbelow), Tenant hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises from any cause whatsoever and agrees that Landlord, its partners, subpartners and their respective officers, agents, servants, employees, and independent contractors (collectively, "**Landlord Parties**") shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Tenant or by other persons claiming through Tenant. Except in connection with the gross negligence or willful misconduct of Landlord or Landlord Parties and/or the waiver of subrogation provided below, Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from and against any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred in connection with or arising from: (a) any causes in, on or about the Premises; (b) the use or occupancy of the Premises by Tenant or any person claiming under Tenant; (c) any activity, work, or thing done, or permitted or suffered by Tenant in or about the Premises; (d) any acts, omission, or negligence of Tenant or any person claiming under Tenant, or the contractors, agents, employees, invitees, or visitors of Tenant or any such person, in, on or about the Project (collectively, "**Tenant Parties**"); (e) any breach, violation, or non-performance by Tenant or any person claiming under Tenant or the employees, agents, contractors, invitees, or visitors of Tenant or any such person of any term, covenant, or provision of this Lease or any law, ordinance, or governmental requirement of any kind; (f) any injury or damage to the person, property, or business of Tenant, its employees, agents, contractors, invitees, visitors, or any other person entering upon the Premises under the express or implied invitation of Tenant; or (g) the placement of any personal property or other items within the Premises. Should Landlord be named as a defendant in any suit brought against Tenant in connection with or arising out of Tenant's occupancy of the Premises, and for which Tenant is required to indemnify Landlord under the preceding sentence, Tenant shall pay to Landlord its costs and expenses reasonably

incurred in such suit, including without limitation, its actual professional fees such as appraisers', accountants' and attorneys' fees. Subject to Tenant's indemnification obligations set forth above and the waiver of subrogation provided below, Landlord shall indemnify, defend, protect, and hold harmless Tenant from any and all loss, cost, damage, expense, and liability (including, without limitation, court costs and reasonable attorneys' fees) to the extent arising from the gross negligence or willful misconduct of Landlord or the Landlord Parties in, on or about the Project either prior to or during the Lease Term, provided that the terms of the foregoing indemnity shall not apply to the negligence or willful misconduct of Tenant. Notwithstanding anything to the contrary set forth in this Lease, either party's agreement to defend and indemnify the other party as set forth in this Section 10.1 shall be ineffective to the extent the matters for which such party agreed to defend and indemnify the other party are covered by insurance required to be carried by the non-indemnifying party pursuant to this Lease. Further, Tenant's agreement to indemnify Landlord and Landlord's agreement to indemnify Tenant, each pursuant to this Section 10.1 is not intended and shall not relieve any insurance carrier of its obligations under policies required to be carried by Tenant or Landlord pursuant to the provisions of this Lease, to the extent such policies cover the matters subject to the parties' respective indemnification obligations; nor shall they supersede any inconsistent agreement of the parties set forth in any other provision of this Lease. The provisions of this Section 10.1 shall survive the expiration or sooner termination of this Lease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination.

10.2 **Landlord's Fire and Casualty Insurance**. Landlord shall carry commercial general liability insurance with respect to the Buildings during the Lease Term, and shall further insure the Buildings during the Lease Term against loss or damage due to fire and other casualties covered within the classification of fire and extended coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage and special extended coverage. Such insurance shall be written on an "all risks" of physical loss or damage basis for full replacement value of the Buildings, and shall be issued by an insurance company having a rating of not less than A-X in Best's Insurance Guide or which is otherwise reasonably acceptable to Tenant and licensed to do business in the State of California. Such coverage shall be in such amounts, from such companies, and on such other terms and conditions, as Landlord may from time to time reasonably determine. Additionally, at the option of Landlord, such insurance coverage may include the risks of earthquakes and/or flood damage and additional hazards, a rental loss endorsement and one or more loss payee endorsements in favor of the holders of any mortgages or deeds of trust encumbering the interest of Landlord in the Buildings or the ground or underlying lessors of the Buildings, or any portion thereof. Notwithstanding the foregoing provisions of this Section 10.2, the coverage and amounts of insurance carried by Landlord in connection with the Buildings shall, at a minimum, be comparable to the coverage and amounts of insurance which are carried by reasonably prudent landlords of Comparable Buildings, and Worker's Compensation and Employer's Liability coverage as required by applicable law. Tenant shall, at Tenant's expense, comply with all insurance company requirements pertaining to the use of the Premises. If Tenant's conduct or use of the Premises for other than typical office purposes causes any material increase in the premium for such insurance policies then Tenant shall reimburse Landlord for any such increase. Tenant, at Tenant's expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body.

10.3 **Tenant's Insurance**. Throughout the Lease Term, Tenant shall maintain the following coverages in the following amounts. The required evidence of coverage must be delivered to Landlord on or before the date required under Section 10.4(I) sub-sections (x) and (y), or Section 10.4(II) below (as applicable). Such policies shall be for a term of at least one (1) year, or the length of the remaining term of this Lease, whichever is less.

10.3.1 Commercial General Liability Insurance, including Broad Form contractual liability covering the insured against claims of bodily injury, personal injury and property damage (including loss of use thereof) based upon or arising out of Tenant's operations, occupancy or maintenance of or from the Premises and all areas appurtenant thereto. Such insurance shall be written on an "occurrence" basis. Landlord and any other party the Landlord so specifies that has a material financial interest in the Project, including Landlord's managing agent, ground lessor and/or lender, if any, shall be named as additional insureds as their interests may appear using Insurance Service Organization's form CG2011 or a comparable form approved by Landlord. Tenant shall provide an endorsement or policy excerpt showing that Tenant's coverage

is primary and any insurance carried by Landlord shall be excess and non-contributing. The coverage shall also be extended to include damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations. This policy shall include coverage for all liabilities assumed under this Lease as an insured contract for the performance of all of Tenant's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Tenant nor relieve Tenant of any obligation hereunder. Limits of liability insurance shall not be less than the following; provided, however, such limits may be achieved through the use of an Umbrella/Excess Policy:

Bodily Injury and Property Damage Liability	$7,000,000 each occurrence
Personal Injury and Advertising Liability	$7,000,000 each occurrence
Tenant Legal Liability/Damage to Rented Premises Liability	$2,000,000.00

10.3.2 Property Insurance covering (i) all office furniture, personal property, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's business personal property on the Premises installed by, for, or at the expense of Tenant, (ii) the Improvements, and any other improvements which exist in the Premises as of the Lease Commencement Date (excluding the Base Building) (the "**Original Improvements**"), and (iii) all Alterations performed in the Premises. Such insurance shall be written on a Special Form basis, for the full replacement cost value (subject to reasonable deductible amounts), without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for (a) all perils included in the CP 10 30 04 02 Coverage Special Form, (b) water damage from any cause whatsoever, including, but not limited to, sprinkler leakage, bursting, leaking or stoppage of any pipes, explosion, and backup or overflow from sewers or drains, and (c) terrorism (to the extent such terrorism insurance is available as a result of the Terrorism Risk Insurance Program Reauthorization Act of 2005 (Pub. l. 109-144), and the Terrorism Risk Insurance Program Reauthorization Act of 2007 (Pub. L. 110-160, 121 Stat. 183), any successor statute or regulation, or is otherwise available at commercially reasonable rates).

10.3.2.1 **Increase in Project's Property Insurance**. Tenant shall pay for any increase in the premiums for the property insurance of the Project if said increase is caused by Tenant's acts, omissions, use or occupancy of the Premises (other than Tenant's general office use of the Premises consistent with a first-class office building).

10.3.2.2 **Property Damage**. Tenant shall use the proceeds from any such insurance for the replacement of personal property, trade fixtures, Improvements, Original Improvements and Alterations.

10.3.2.3 **No Representation of Adequate Coverage**. Landlord makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Tenant's property, business operations or obligations under this Lease.

10.3.2.4 **Property Insurance Subrogation**. Landlord and Tenant intend that their respective property loss risks shall be borne by insurance carriers to the extent above provided (and, in the case of Tenant, by an insurance carrier satisfying the requirements of Section 10.4(i) below), and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for such losses, and waive all rights of subrogation of their respective insurers. Landlord and Tenant hereby represent and warrant that their respective "all risk" property insurance policies include a waiver of (i) subrogation by the insurers, and (ii) all rights based upon an assignment from its insured, against Landlord and/or any of the Landlord Parties or Tenant and/or any of the Tenant Parties (as the case may be) in connection with any property loss risk thereby insured against. Tenant will cause all subtenants and licensees of the Premises claiming by, under, or through Tenant to execute and deliver to Landlord a waiver of claims similar to the

waiver in this Section 10.3.2.4 and to obtain such waiver of subrogation rights endorsements. If either party hereto fails to maintain the waivers set forth in items (i) and (ii) above, the party not maintaining the requisite waivers shall indemnify, defend, protect, and hold harmless the other party for, from and against any and all claims, losses, costs, damages, expenses and liabilities (including, without limitation, court costs and reasonable attorneys' fees) arising out of, resulting from, or relating to, such failure.

10.3.3 Business Income Interruption for one year (1) plus Extra Expense insurance in such amounts as will reimburse Tenant for actual direct or indirect loss of earnings attributable to the risks outlined in Section 10.3.2 above.

10.3.4 Worker's Compensation or other similar insurance pursuant to all applicable state and local statutes and regulations, and Employer's Liability with minimum limits of not less than $1,000,000 each accident/employee/disease.

10.3.5 Commercial Automobile Liability Insurance covering all Owned (if any), Hired, or Non-owned vehicles with limits not less than $1,000,000 combined single limit for bodily injury and property damage.

10.4 **Form of Policies**. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall (i) be issued by an insurance company having an AM Best rating of not less than A-X (or to the extent AM Best ratings are no longer available, then a similar rating from another comparable rating agency), or which is otherwise acceptable to Landlord and licensed to do business in the State of California, (ii) be in form and content reasonably acceptable to Landlord and complying with the requirements of Section 10.3 (including, Sections 10.3.1 through 10.3.5), (iii) Tenant shall not do or permit to be done anything which invalidates the required insurance policies, and (iv) provide that said insurance shall not be canceled or coverage changed unless thirty (30) days' prior written notice shall have been given to Landlord and any mortgagee of Landlord, the identity of whom has been provided to Tenant in writing. Tenant shall deliver said policy or policies or certificates thereof and applicable endorsements which meet the requirements of this Article 10 to Landlord on or before (I) the earlier to occur of: (x) the Lease Commencement Date, and (y) the date Tenant and/or its employees, contractors and/or agents first enter the Premises for occupancy, construction of improvements, alterations, or any other move-in activities, and (II) five (5) business days after the renewal of such policies. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificates and applicable endorsements, Landlord may, at its option, after written notice to Tenant and Tenant's failure to obtain such insurance within five (5) days thereafter, procure such policies for the account of Tenant and the sole benefit of Landlord, and the cost thereof shall be paid to Landlord after delivery to Tenant of bills therefor.

10.5 **Additional Insurance Obligations**. Tenant shall carry and maintain during the entire Lease Term, at Tenant's sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this Article 10 and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be reasonably requested by Landlord.

10.6 **Third-Party Contractors**. Tenant shall obtain and deliver to Landlord, Third Party Contractor's certificates of insurance and applicable endorsements at least seven (7) business days prior to the commencement of work in or about the Premises by any vendor or any other third-party contractor (collectively, a "**Third Party Contractor**"). All such insurance shall (a) name Landlord as an additional insured under such party's liability policies as required by Section 10.3.1 above and this Section 10.6, (b) provide a waiver of subrogation in favor of Landlord under such Third Party Contractor's commercial general liability insurance, (c) be primary and any insurance carried by Landlord shall be excess and non-contributing, and (d) comply with Landlord's reasonable minimum insurance requirements.

ARTICLE 11

DAMAGE AND DESTRUCTION

11.1 **Repair of Damage to Premises by Landlord**. If the Base Building or any Common Areas serving or providing access to the Premises shall be damaged by a fire or any other casualty (collectively, a "**Casualty**"), Landlord shall promptly and diligently, subject to reasonable

delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 11, restore the Base Building and such Common Areas. Such restoration shall be to substantially the same condition of the Base Building and the Common Areas prior to the Casualty, except for modifications required by zoning and building codes and other laws or by the holder of a mortgage on the Building or Project or any other modifications to the Common Areas deemed desirable by Landlord, which are consistent with the character of the Project, provided that access to the Premises and any common restrooms serving the Premises shall not be materially impaired. Tenant shall promptly notify Landlord upon the occurrence of any damage to the Premises resulting from a Casualty, and Tenant shall promptly inform its insurance carrier of any such damage. Upon notice (the "**Landlord Repair Notice**") to Tenant from Landlord, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under Section 10.3 of this Lease relating to work to be performed by Landlord, and Landlord shall repair any injury or damage to the Improvements and the Original Improvements installed in the Premises and shall return such Improvements and the Original Improvements to their original condition; provided that if the cost of such repair by Landlord exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, as assigned by Tenant, the cost of such repairs shall be paid by Tenant to Landlord prior to Landlord's commencement of repair of the damage. In the event that Landlord does not deliver the Landlord Repair Notice within sixty (60) days following the date the Casualty becomes known to Landlord, but provided that Landlord has delivered notice to Tenant that Landlord intends to restore the Base Building and such Common Areas, Tenant shall, at its sole cost and expense, repair any injury or damage to the Improvements and the Original Improvements installed in the Premises and shall return such Improvements and Original Improvements to their original condition, subject to reasonable delays, if any, for insurance adjustment or other matters beyond Tenant's reasonable control, or due to Landlord's restoration of the Base Building and such Common Areas. Whether or not Landlord delivers a Landlord Repair Notice, prior to the commencement of construction, Tenant shall submit to Landlord, for Landlord's review and approval, all plans, specifications and working drawings relating thereto, and Landlord shall select the contractors to perform such improvement work. Landlord shall not be liable for any inconvenience or annoyance to Tenant or its visitors, or injury to Tenant's business resulting in any way from such damage or the repair thereof; provided however, that if such Casualty shall have damaged the Premises or Common Areas necessary to Tenant's occupancy, and the Premises is not occupied by Tenant as a result thereof, then during the time and to the extent the Premises is unfit for occupancy, the Rent shall be abated in proportion to the ratio that the amount of rentable square feet of the Premises which is unfit for occupancy for the purposes permitted under this Lease bears to the total rentable square feet of the Premises. In the event that Landlord shall not deliver the Landlord Repair Notice, Tenant's right to rent abatement pursuant to the preceding sentence shall terminate as of the date which is reasonably determined by Landlord to be the date Tenant should have completed repairs to the Premises assuming Tenant used reasonable due diligence in connection therewith.

11.2 **Landlord's Option to Repair**. Notwithstanding the terms of Section 11.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises, Building and/or Project, and instead terminate this Lease, by notifying Tenant in writing of such termination within sixty (60) days after the date of discovery of the damage (provided that Landlord shall use commercially reasonable efforts to make such notification as soon as reasonably practicable), such notice to include a termination date giving Tenant sixty (60) days to vacate the Premises, but Landlord may so elect only if the Building or Project shall be damaged by Casualty, whether or not the Premises is affected, and one or more of the following conditions is present: (i) in Landlord's reasonable judgment, repairs cannot reasonably be completed within two hundred seventy (270) days after the date of discovery of the damage (when such repairs are made without the payment of overtime or other premiums); (ii) the holder of any mortgage on the Building or Project or ground lessor with respect to the Building or Project shall require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall terminate the ground lease, as the case may be; (iii) the damage is not fully covered by Landlord's insurance policies; (iv) Landlord decides to rebuild the Building or Common Areas so that they will be substantially different structurally or architecturally; (v) the damage occurs during the last twelve (12) months of the Lease Term; or (vi) any owner of any other portion of the Project, other than Landlord, does not intend to repair the damage to such portion of the Project; provided, however, that if the Premises and/or access thereto are materially damaged by Casualty, and Landlord does not elect to terminate this Lease pursuant to Landlord's termination right as provided above, and either the repairs cannot, in the reasonable opinion of Landlord, be completed within two hundred eighty (270) days after being

commenced or the damage occurs during the last twelve (12) months of the Lease Term, Tenant may elect, no earlier than sixty (60) days after the date of the damage and not later than ninety (90) days after the date of such damage, to terminate this Lease by written notice to Landlord effective as of the date specified in the notice, which date shall not be less than thirty (30) days nor more than sixty (60) days after the date such notice is given by Tenant. Furthermore, if neither Landlord nor Tenant has terminated this Lease, and the repairs are not actually completed within sixty (60) days of the date that Landlord originally estimated for completion in "Landlord's Repair Estimate Notice" (as that term is defined hereinbelow), then Tenant shall have the right to terminate this Lease during the first five (5) business days of each calendar month following the end of such period until such time as the repairs are complete, by notice to Landlord (the "**Damage Termination Notice**"), effective as of a date set forth in the Damage Termination Notice (the "**Damage Termination Date**"), which Damage Termination Date shall not be less than ten (10) business days following the end of each such month. Notwithstanding the foregoing, if Tenant delivers a Damage Termination Notice to Landlord, then Landlord shall have the right to suspend the occurrence of the Damage Termination Date for a period ending thirty (30) days after the Damage Termination Date set forth in the Damage Termination Notice by delivering to Tenant, within five (5) business days of Landlord's receipt of the Damage Termination Notice, a certificate of Landlord's contractor responsible for the repair of the damage certifying that it is such contractor's good faith judgment that the repairs shall be substantially completed within thirty (30) days after the Damage Termination Date. If repairs shall be substantially completed prior to the expiration of such thirty-day period, then the Damage Termination Notice shall be of no force or effect, but if the repairs shall not be substantially completed within such thirty-day period, then this Lease shall terminate upon the expiration of such thirty-day period. At any time, from time to time, after the date occurring sixty (60) days after the date of the damage, Tenant may request that Landlord inform Tenant of Landlord's reasonable opinion of the date of completion of the repairs and Landlord shall respond to such request within five (5) business days ("**Landlord's Repair Estimate Notice**"). Notwithstanding the provisions of this Section 11.2, Tenant shall have the right to terminate this Lease under this Section 11.2 only if each of the following conditions is satisfied: (a) the damage to the Project by Casualty was not caused by the gross negligence or intentional act of Tenant or its partners or subpartners and their respective officers, agents, servants, employees, and independent contractors; (b) Tenant is not then in default under this Lease; (c) as a result of the damage, Tenant cannot reasonably conduct business from the Premises; and, (d) as a result of the damage to the Project, Tenant does not occupy or use the Premises at all. In the event this Lease is terminated in accordance with the terms of this Section 11.2, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under items (ii) and (iii) of Section 10.3.2 of this Lease.

11.3 **Waiver of Statutory Provisions**. The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of California, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

ARTICLE 12

NONWAIVER

No provision of this Lease shall be deemed waived by either party hereto unless expressly waived in a writing signed thereby. The waiver by either party hereto of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No acceptance of a lesser amount than the Rent herein stipulated shall be deemed a waiver of Landlord's right to receive the full amount due, nor shall any endorsement or statement on any check or payment or any letter accompanying such check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the full amount due. No receipt of monies

by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term or of Tenant's right of possession hereunder, or after the giving of any notice shall reinstate, continue or extend the Lease Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit, or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment. No payment of monies by Tenant to Landlord hereunder shall in and of itself constitute a waiver of Tenant's express rights of audit and reconciliation as set forth in Article 4 of this Lease or of abatement or reimbursement otherwise expressly set forth in this Lease.

ARTICLE 13

CONDEMNATION

If the whole or any part of the Premises, Building or Project shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use, reconstruction or remodeling of any part of the Premises, Building or Project, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority; provided, however, that Landlord shall only so terminate this Lease to the extent (i) the Building, or corresponding portions of the Project parking facility and/or the Project, are substantially and materially affected by the taking, and (ii) Landlord terminates the leases of all other tenants in the Building similarly affected by such taking. If more than twenty-five percent (25%) of the rentable square feet of the Premises is taken, or if more than twenty five percent (25%) of the parking available to Tenant is taken, or if access to the Premises is substantially impaired, in each case for a period in excess of one hundred eighty (180) days, Tenant shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. Tenant shall not because of such taking assert any claim against Landlord or the authority for any compensation because of such taking and Landlord shall be entitled to the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, and for moving expenses and specific injury to Tenant's business including loss of the value of Tenant's leasehold estate, so long as such claims do not demonstrably diminish the award available to Landlord, its ground lessor with respect to the Building or Project or its mortgagee, and such claim is payable separately to Tenant. All Rent shall be apportioned as of the date of such termination. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Rent shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of The California Code of Civil Procedure. Notwithstanding anything to the contrary contained in this Article 13, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and eighty (180) days or less, then this Lease shall not terminate but the Base Rent and the Additional Rent shall be abated for the period of such taking in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

ARTICLE 14

ASSIGNMENT AND SUBLETTING

14.1 **Transfers**. Tenant shall not, without the prior written consent of Landlord, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment, or other transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or enter into any license or concession agreements or otherwise permit the occupancy or use of the Premises or any part thereof by any persons other than Tenant and its employees and contractors (all of the foregoing are hereinafter sometimes referred to collectively as "**Transfers**" and any person or entity to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "**Transferee**"). If Tenant desires Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the "**Transfer Notice**") shall include (i) the proposed effective

date of the Transfer, which shall not be less than thirty (30) days nor more than one hundred eighty (180) days after the date of delivery of the Transfer Notice, (ii) a description of the portion of the Premises to be transferred (the "**Subject Space**"), (iii) all of the terms of the proposed Transfer and the consideration therefor, including calculation of the "Transfer Premium", as that term is defined in Section 14.3 below, in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, including all existing operative documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer, provided that Landlord shall have the right to require Tenant to utilize Landlord's standard Transfer documents in connection with the documentation of such Transfer, (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, business credit and personal references and history of the proposed Transferee and any other information reasonably required by Landlord which will enable Landlord to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business and proposed use of the Subject Space and (v) an executed estoppel certificate from Tenant in the form attached hereto as **Exhibit E**. Any Transfer made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect, and shall, at Landlord's option, constitute a default by Tenant under this Lease. Whether or not Landlord consents to any proposed Transfer, Tenant shall pay Landlord's review and processing fees, as well as any reasonable professional fees (including, without limitation, attorneys', accountants', architects', engineers' and consultants' fees) incurred by Landlord, within thirty (30) days after written request by Landlord, provided, however, in no event shall any such 'fees exceed Two Thousand Five Hundred and No/100 Dollars ($2,500.00) in the aggregate per proposed Transfer for Transfers in the ordinary course of business.

14.2 **Landlord's Consent**. Landlord shall not unreasonably withhold its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice. Without limitation as to other reasonable grounds for withholding consent, the parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Landlord to withhold consent to any proposed Transfer where one or more of the following apply:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building or the Project as reflected by the then existing tenants of the Project with respect to comparable space, and of the Comparable Buildings;

14.2.2 The Transferee intends to use the Subject Space for purposes which are not permitted under this Lease;

14.2.3 The Transferee is either a governmental agency or instrumentality thereof;

14.2.4 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested;

14.2.5 The proposed Transfer would cause a violation of another lease for space in the Project, or would give an occupant of the Project a right to cancel its lease;

14.2.6 The terms of the proposed Transfer will allow the Transferee to exercise a right of renewal, right of expansion, right of first offer, or other similar right held by Tenant (or will allow the Transferee to occupy space leased by Tenant pursuant to any such right); or

14.2.7 Provided that Landlord has then-available space in the Project reasonably capable of satisfying the proposed Transferee's requirements, either the proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, the proposed Transferee, (i) occupies space in the Project at the time of the request for consent, or (ii) is negotiating with Landlord to lease space in the Project at such time, or (iii) has negotiated with Landlord during the three (3)-month period immediately preceding the Transfer Notice; or

14.2.8 The Transferee does not intend to (i) occupy the entire Premises in connection with an assignment, or (ii) occupy the entire sublease portion of the Premises in connection with a sublease, and to conduct its business therefrom for a substantial portion of the term of the Transfer.

If Landlord consents to any Transfer pursuant to the terms of this Section 14.2 (and does not exercise any recapture rights Landlord may have under Section 14.4 of this Lease), Tenant may within six (6) months after Landlord's consent, but not later than the expiration of said six (6)-month period, enter into such Transfer of the Premises or portion thereof, upon substantially the same terms and conditions as are set forth in the Transfer Notice furnished by Tenant to Landlord pursuant to Section 14.1 of this Lease, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, or (ii) which would cause the proposed Transfer to be more favorable to the Transferee than the terms set forth in Tenant's original Transfer Notice, Tenant shall again submit the Transfer to Landlord for its approval and other action under this Article 14 (including Landlord's right of recapture, if any, under Section 14.4 of this Lease). Notwithstanding anything to the contrary in this Lease, if Tenant or any proposed Transferee claims that Landlord has unreasonably withheld or delayed its consent under this Section 14.2 or otherwise has breached or acted unreasonably under this Article 14, their sole remedies shall be a declaratory judgment and an injunction for the relief sought without any monetary damages, and Tenant hereby waives the provisions of Section 1995.310 of the California Civil Code, or any successor statute, and all other remedies, including, without limitation, any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed Transferee. Tenant shall obtain a contractual agreement or waiver from each proposed Transferee to not assert any claim of damages against Landlord for a purportedly wrongful withholding by Landlord of its consent; provided, however, to the extent Tenant fails to secure such agreement, Tenant shall indemnify, defend and hold harmless Landlord from any and all liability, losses, claims, damages, costs, expenses, causes of action and proceedings involving any third party or parties (including without limitation Tenant's proposed subtenant or assignee) who claim they were damaged by Landlord's wrongful withholding or conditioning of Landlord's consent.

14.3 **Transfer Premium**. If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any "Transfer Premium," as that term is defined in this Section 14.3, as and when received by Tenant from such Transferee. "**Transfer Premium**" shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer in excess of the Rent and Additional Rent payable by Tenant under this Lease during the term of the Transfer on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Tenant for (i) any changes, alterations and improvements to the Premises in connection with the Transfer, (ii) any free base rent or other economic concessions reasonably provided to the Transferee, (iii) any brokerage commissions in connection with the Transfer, (iv) any legal fees incurred in connection with the Transfer, and (v) any other reasonable third-party cost actually incurred in good faith in connection with the Transfer. "Transfer Premium" shall also include, but not be limited to, key money, bonus money or other cash consideration paid by Transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer.

14.4 **Landlord's Option as to Subject Space**. Notwithstanding anything to the contrary contained in this Article 14, Landlord shall have the option, by giving written notice to Tenant within ten (10) business days after receipt of any Transfer Notice, to recapture the Subject Space to the extent the proposed Transfer is for either (i) an assignment of the Lease, or (ii) a sublease of the designated Subject Space for all (or substantially all) of the remaining Lease Term. Such recapture notice shall cancel and terminate this Lease with respect to the Subject Space as of the date stated in the Transfer Notice as the effective date of the proposed Transfer until the last day of the term of the Transfer as set forth in the Transfer Notice (or at Landlord's option, shall cause the Transfer to be made to Landlord or its agent, in which case the parties shall execute the Transfer documentation promptly thereafter); provided, however, Tenant shall have the right, by writing to Landlord delivered within five (5) business days following its receipt of Landlord's recapture notice, to rescind the corresponding Transfer Notice. In the event of a recapture by Landlord (i.e., following a recapture election by Landlord without a corresponding rescission by Tenant of its Transfer Notice), if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either

party, the parties shall execute written confirmation of the same. If Landlord declines, or fails to elect in a timely manner to recapture the Subject Space under this Section 14.4, then, provided Landlord has consented to the proposed Transfer, Tenant shall be entitled to proceed to Transfer the Subject Space to the proposed Transferee, subject to provisions of this Article 14.

14.5 **Effect of Transfer**. If Landlord consents to a Transfer, (i) the TCCs of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, (iv) Tenant shall furnish upon Landlord's request a complete statement, certified by an independent certified public accountant, or Tenant's chief financial officer, setting forth in detail the computation of any Transfer Premium Tenant has derived and shall derive from such Transfer, and (v) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of the Lease from any liability under this Lease, including, without limitation, in connection with the Subject Space. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency, and if understated by more than three percent (3%), Tenant shall pay Landlord's costs of such audit.

14.6 **Additional Transfers**. For purposes of this Lease, the term "**Transfer**" shall also include (i) if Tenant is a partnership, the withdrawal or change, voluntary, involuntary or by operation of law, of more than fifty percent (50%) or more of the partners, or transfer of more than fifty percent (50%) or more of partnership interests, within a twelve (12)-month period, or the dissolution of the partnership without immediate reconstitution thereof, and (ii) if Tenant is a closely held corporation (*i.e.*, whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Tenant or (B) the sale or other transfer of an aggregate of more than fifty percent (50%) or more of the voting shares of Tenant (other than to immediate family members by reason of gift or death), within a twelve (12)-month period, or (C) the sale, mortgage, hypothecation or pledge of an aggregate of more than fifty percent (50%) or more of the value of the unencumbered assets of Tenant within a twelve (12)-month period.

14.7 **Occurrence of Default**. Any Transfer hereunder shall be subordinate and subject to the provisions of this Lease, and if this Lease shall be terminated during the term of any Transfer, Landlord shall have the right to: (i) treat such Transfer as cancelled and repossess the Subject Space by any lawful means, or (ii) require that such Transferee attorn to and recognize Landlord as its landlord under any such Transfer. If Tenant shall be in default under this Lease, Landlord is hereby irrevocably authorized, as Tenant's agent and attorney-in-fact, to direct any Transferee to make all payments under or in connection with the Transfer directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease) until such default is cured. Such Transferee shall rely on any representation by Landlord that Tenant is in default hereunder, without any need for confirmation thereof by Tenant. Upon any assignment, the assignee shall assume in writing all obligations and covenants of Tenant thereafter to be performed or observed under this Lease. No collection or acceptance of rent by Landlord from any Transferee shall be deemed a waiver of any provision of this Article 14 or the approval of any Transferee or a release of Tenant from any obligation under this Lease, whether theretofore or thereafter accruing. In no event shall Landlord's enforcement of any provision of this Lease against any Transferee be deemed a waiver of Landlord's right to enforce any term of this Lease against Tenant or any other person. If Tenant's obligations hereunder have been guaranteed, Landlord's consent to any Transfer shall not be effective unless the guarantor also consents to such Transfer.

14.8 **Deemed Consent Transfers**. Notwithstanding anything to the contrary contained in this Lease, (A) an assignment or subletting of all or a portion of the Premises to an affiliate of Tenant (an entity which is controlled by, controls, or is under common control with, Tenant as of the date of this Lease), (B) a sale of corporate shares of capital stock in Tenant in connection with an initial public offering of Tenant's stock on a nationally-recognized stock exchange, (C) an assignment of the Lease to an entity which acquires all or substantially all of the stock or assets of Tenant, or (D) an assignment of the Lease to an entity which is the resulting entity of a merger or consolidation of Tenant during the Lease Term, shall not be deemed a Transfer requiring

Landlord's consent under this Article 14 (any such assignee or sublessee described in items (A) through (D) of this Section 14.8 hereinafter referred to as a "**Permitted Transferee**"), provided that (i) Tenant shall use commercially reasonable, diligent efforts to deliver to Landlord, at least fifteen (15) days prior to the effective date of any such assignment or sublease (or as soon as is thereafter practicable or legally permitted pursuant to applicable law and/or applicable disclosure restrictions imposed by the SEC or similar regulatory agency) and promptly supplies Landlord with any documents or information reasonably requested by Landlord regarding such Transfer or Permitted Transferee as set forth above, (ii) Tenant is not in default, beyond the applicable notice and cure period, and such assignment or sublease is not a subterfuge by Tenant to avoid its obligations under this Lease, (iii) such Permitted Transferee shall be of a character and reputation consistent with the quality of the Building, (iv) such Permitted Transferee shall have a tangible net worth (not including goodwill as an asset) computed in accordance with generally accepted accounting principles ("**Net Worth**") at least equal to the lesser of (1) the Net Worth of Original Tenant on the date of this Lease, and (2) the Net Worth of Tenant on the day immediately preceding the effective date of such assignment or sublease, (v) no assignment or sublease relating to this Lease, whether with or without Landlord's consent, shall relieve Tenant from any liability under this Lease, and (vi) the liability of such Permitted Transferee under either an assignment or sublease shall be joint and several with Tenant. An assignee of Tenant's entire interest in this Lease who qualifies as a Permitted Transferee may also be referred to herein as a "**Permitted Transferee Assignee**." "**Control**," as used in this Section 14.8, shall mean the ownership, directly or indirectly, of more than fifty percent (50%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of more than fifty percent (50%) of the voting interest in, any person or entity.

14.9 **Occupancy by Others.** Notwithstanding any contrary provision of this Article 14, Tenant shall have the right without the payment of a Transfer Premium, and without the receipt of Landlord's consent, but on prior notice to Landlord, to permit the occupancy of up to ten percent (10%) of the usable square feet of the Premises in the aggregate to any individual(s) or entities with a business relationship with Tenant (which business relationship is not created solely in order to allow occupancy of the Premises under this Section 14.9), on and subject to the following conditions: (i) such individuals or entities shall not be permitted to occupy a separately demised portion of the Premises which contains an entrance to such portion of the Premises other than the primary entrance to the Premises; (ii) all such individuals or entities shall be of a character and reputation consistent with the quality of the then existing tenants of the Building and Project and shall not cause Landlord to be in violation of any lease of space in the Project; and (iii) such occupancy shall not be a subterfuge by Tenant to avoid its obligations under this Lease or the restrictions on Transfers pursuant to this Article 14. Tenant shall promptly supply Landlord with any documents or information reasonably requested by Landlord regarding any such individuals or entities. Any occupancy permitted under this Section 14.9 shall not be deemed a Transfer under this Article 14. Notwithstanding the foregoing, no such occupancy shall relieve Tenant from any obligations or liability under this Lease.

ARTICLE 15

SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

15.1 **Surrender of Premises**. No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in writing by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or subtenancies affecting the Premises or terminate any or all such sublessees or subtenancies.

15.2 **Removal of Tenant Property by Tenant**. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of this Article 15, quit and surrender possession of the Premises to Landlord in as good order and

condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear and tear and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, in addition to Tenant's obligations under Sections 29.32 and 29.33, below, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, business and trade fixtures, free-standing cabinet work, server and telephone equipment, movable partitions and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, and such similar articles of any other persons claiming under Tenant, as Landlord may, in its sole discretion, require to be removed, and Tenant shall repair at its own expense all damage to the Premises and Building resulting from such removal.

ARTICLE 16

HOLDING OVER

If Tenant holds over after the expiration of the Lease Term with the express written consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Base Rent shall be payable (a) for the first month of such holding over, at a monthly rate of […***…] of the Base Rent applicable during the last rental period of the Lease Term under this Lease, (b) thereafter, at a monthly rate of […***…] of the Base Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy shall be subject to every other applicable term, covenant and agreement contained herein. If Tenant holds over after the expiration of the Lease Term without the express written consent of Landlord, such tenancy shall be a tenancy at sufferance, and shall not constitute a renewal hereof or an extension for any further term, and in such case daily damages in any action to recover possession of the Premises shall be calculated at a daily rate equal to the greater of (i) either (x) for the first month of such holding over, […***…], and (x) thereafter […***…] of the Base Rent applicable during the last rental period of the Lease Term under this Lease (calculated on a per diem basis) or (ii) the fair market rental rate for the Premises as of the commencement of such holdover period. Notwithstanding the foregoing, Tenant shall have the one-time right, upon written notice (the "**Permitted Holdover Notice**") to Landlord not less than twelve (12) months prior to the expiration of the then Lease Term, to extend the Lease Term for a period of up to […***…] (as so designated, the "**Permitted Holdover Term**"), in which case the Rent payable by Tenant during such Permitted Holdover Term shall equal (i) […***…] of the Rent applicable during the last rental period of the Lease Term under this Lease for the first […***…] months of such Permitted Holdover Term, (ii) […***…] of the Rent applicable during the last rental period of the Lease Term under this Lease for the next occurring […***…] of such Permitted Holdover Term (i.e., months 3, 4 and 5), and (iii) […***…] of the Rent applicable during the last rental period of the Lease Term under this Lease thereafter; provided, however, that Tenant may terminate the Permitted Holdover Term at any time upon thirty (30) days' prior notice to Landlord. Subject only to a properly effectuated Permitted Holdover Term, nothing otherwise contained in this Article 16 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to vacate and deliver possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Article 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant holds over without Landlord's express written consent (or Landlord's deemed consent in connection with a Permitted Holdover Term), and tenders payment of rent for any period beyond the expiration of the Lease Term by way of check (whether directly to Landlord, its agents, or to a lock box) or wire transfer, Tenant acknowledges and agrees that the cashing of such check or acceptance of such wire shall be considered inadvertent and not be construed as creating a month-to-month tenancy, provided Landlord refunds such payment to Tenant promptly upon learning that such check has been cashed or wire transfer received. Tenant acknowledges that any holding over without Landlord's express written consent (or Landlord's deemed consent in connection with a Permitted Holdover Term) may compromise or otherwise affect Landlord's ability to enter into new leases with prospective tenants regarding the Premises. Therefore, if Tenant fails to vacate and deliver the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from and against all claims made by any succeeding tenant founded upon such

failure to vacate and deliver, and any losses suffered by Landlord, including lost profits, resulting from such failure to vacate and deliver (collectively, "**Holdover Damages**"); provided, however, that in no event shall Tenant be liable for Holdover Damages attributable to any Permitted Holdover Term. Tenant agrees that any proceedings necessary to recover possession of the Premises, whether before or after expiration of the Lease Term, shall be considered an action to enforce the terms of this Lease for purposes of the awarding of any attorney's fees in connection therewith.

ARTICLE 17

ESTOPPEL CERTIFICATES

Within fifteen (15) days following a request in writing by Landlord, Tenant shall execute, acknowledge and deliver to Landlord an estoppel certificate, which, as submitted by Landlord, shall be substantially in the form of **Exhibit E**, attached hereto (or such other form as may be required by any prospective mortgagee or purchaser of the Project, or any portion thereof), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other information reasonably requested by Landlord or Landlord's mortgagee or prospective mortgagee. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Project. Tenant shall execute and deliver whatever other instruments may be reasonably required for such purposes. At any time during the Lease Term, Landlord may require Tenant to provide Landlord with a current financial statement and financial statements of the two (2) years prior to the current financial statement year, subject to any commercially reasonable confidentiality agreement requested by Tenant. Such statements shall be prepared in accordance with generally accepted accounting principles (or on an income tax basis to the extent the same is the then-current practice of Tenant) and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant. Notwithstanding the foregoing, in the event that (i) stock in the entity which constitutes Tenant under this Lease (as opposed to an entity that controls Tenant or is otherwise an affiliate of Tenant) is publicly traded on NASDAQ or a national or international stock exchange or Tenant is otherwise a reporting company under the Securities Act of 1934 and Tenant' s financials are therefore publicly available, and (ii) Tenant has its own, separate and distinct 10K and 10Q filing requirements (as opposed joint or cumulative filings with an entity that controls Tenant or with entities which are otherwise affiliates of Tenant), then Tenant's obligation to provide Landlord with a copy of its most recent current financial statement shall be deemed satisfied.

ARTICLE 18

SUBORDINATION

As of the date of this Lease, the Building is not subject to a ground lease, mortgage, or trust deed. However, this Lease shall be subject and subordinate to all future ground or underlying leases of the Building or Project and to the lien of any mortgage, trust deed or other encumbrances hereafter in force against the Building or Project or any part thereof, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages, trust deeds or other encumbrances, or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto. Notwithstanding the foregoing, Landlord's delivery to Tenant of commercially reasonable non-disturbance agreement(s), reasonably acceptable to Tenant (the "**Non-disturbance Agreement**"), in favor of Tenant from any ground lessor, mortgage holders or lien holders of Landlord who later come into existence at any time prior to the expiration of the Lease Term shall be in consideration of, and a condition precedent to, Tenant's agreement to subordinate this Lease to any such future ground lease, mortgage or lien. Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn, without any deductions or set-offs whatsoever, to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), if so requested to do so by such purchaser or lienholder or ground lessor, and to recognize such purchaser or lienholder or ground lessor as the lessor under this Lease, provided such lienholder or purchaser or ground lessor shall agree to accept this Lease and not disturb Tenant's occupancy, so long as Tenant timely pays the rent and observes and performs the TCCs of this Lease to be observed and performed by Tenant. Landlord's interest herein may be assigned as security at any

time to any lienholder. Tenant shall, within five (5) days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, ground leases or underlying leases. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale.

ARTICLE 19

DEFAULTS; REMEDIES

19.1 **Events of Default**. The occurrence of any of the following shall constitute a default of this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof, when due unless such failure is cured within five (5) business days after notice; or

19.1.2 Except where a specific time period is otherwise set forth for Tenant's performance in this Lease, in which event the failure to perform by Tenant within such time period shall be a default by Tenant under this Section 19.1.2, any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; provided that if the nature of such default is such that the same cannot reasonably be cured within a thirty (30) day period, Tenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure such default; or

19.1.3 To the extent permitted by law, (i) Tenant or any guarantor of this Lease being placed into receivership or conservatorship, or becoming subject to similar proceedings under Federal or State law, or (ii) a general assignment by Tenant or any guarantor of this Lease for the benefit of creditors, or (iii) the taking of any corporate action in furtherance of bankruptcy or dissolution whether or not there exists any proceeding under an insolvency or bankruptcy law, or (iv) the filing by or against Tenant or any guarantor of any proceeding under an insolvency or bankruptcy law, unless in the case of such a proceeding filed against Tenant or any guarantor the same is dismissed within sixty (60) days, or (v) the appointment of a trustee or receiver to take possession of all or substantially all of the assets of Tenant or any guarantor, unless possession is restored to Tenant or such guarantor within thirty (30) days, or (vi) any execution or other judicially authorized seizure of all or substantially all of Tenant's assets located upon the Premises or of Tenant's interest in this Lease, unless such seizure is discharged within thirty (30) days; or

19.1.4 Abandonment or vacation of all or a substantial portion of the Premises by Tenant; or

19.1.5 The failure by Tenant to observe or perform according to the provisions of Articles 5, 14, 17 or 18 of this Lease where such failure continues for more than five (5) business days after notice from Landlord; or

19.1.6 Tenant's failure to occupy the Premises within ninety (90) business days after the Lease Commencement Date.

The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law.

19.2 **Remedies Upon Default**. Upon the occurrence of any event of default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity (all of which remedies shall be distinct, separate and cumulative), the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any

other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim for damages therefor; and Landlord may recover from Tenant the following:

(a) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(b) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(c) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(d) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "**rent**" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 19.2.1(a) and (b), above, the "worth at the time of award" shall be computed by allowing interest at the Interest Rate. As used in Section 19.2.1(c), above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

19.2.2 Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.2.3 Landlord shall at all times have the rights and remedies (which shall be cumulative with each other and cumulative and in addition to those rights and remedies available under Sections 19.2.1 and 19.2.2, above, or any law or other provision of this Lease), without prior demand or notice except as required by applicable law, to seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease, or restrain or enjoin a violation or breach of any provision hereof.

19.3 **Subleases of Tenant**. Whether or not Landlord elects to terminate this Lease on account of any default by Tenant, as set forth in this Article 19, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. In the event of Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.4 **Form of Payment After Default**. Following the occurrence of an event of default by Tenant, Landlord shall have the right to require that any or all subsequent amounts paid by Tenant to Landlord hereunder, whether to cure the default in question or otherwise, be paid in the form of cash, money order, cashier's or certified check drawn on an institution acceptable to Landlord, or by other means approved by Landlord, notwithstanding any prior practice of accepting payments in any different form.

19.5 **Efforts to Relet**. No re-entry or repossession, repairs, maintenance, changes, alterations and additions, reletting, appointment of a receiver to protect Landlord's interests hereunder, or any other action or omission by Landlord shall be construed as an election by Landlord to terminate this Lease or Tenant's right to possession, or to accept a surrender of the Premises, nor shall same operate to release Tenant in whole or in part from any of Tenant's obligations hereunder, unless express written notice of such intention is sent by Landlord to Tenant. Tenant hereby irrevocably waives any right otherwise available under any law to redeem or reinstate this Lease.

19.6 **Landlord Default**. Notwithstanding anything to the contrary set forth in this Lease, Landlord shall be in default in the performance of any obligation required to be performed by Landlord pursuant to this Lease if Landlord fails to perform such obligation within thirty (30) days after the receipt of notice from Tenant specifying in detail Landlord's failure to perform; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be in default under this Lease if it shall commence such performance within such thirty (30) day period and thereafter diligently pursues the same to completion. Upon any such default by Landlord under this Lease, Tenant may, except as otherwise specifically provided in this Lease to the contrary, exercise any of its rights provided at law or in equity. Any award from a court or arbitrator in favor of Tenant requiring payment by Landlord which is not paid by Landlord within the time period directed by such award, may be offset by Tenant from Rent next due and payable under this Lease; provided, however, Tenant may not deduct the amount of the award against more than fifty percent (50%) of Base Rent next due and owing (until such time as the entire amount of such judgment is deducted) to the extent, following a foreclosure or a deed-in-lieu of foreclosure, the successor-in-interest Landlord has debt on the Project secured by a deed of trust.

ARTICLE 20

COVENANT OF QUIET ENJOYMENT

Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other TCCs, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed, shall, during the Lease Term, peaceably and quietly have, hold and enjoy the Premises subject to the TCCs, provisions and agreements hereof without interference by any persons lawfully claiming by or through Landlord. The foregoing covenant shall be binding on all of Landlord's successors and assigns and is in lieu of any other covenant express or implied.

ARTICLE 21

LETTER OF CREDIT

21.1 **Delivery of Letter of Credit**. Tenant shall deliver to Landlord, concurrently with Tenant's execution of this Lease, an unconditional, clean, irrevocable letter of credit (the "**L-C**") in the amount set forth in Section 21.3 below (the "**L-C Amount**"), which L-C shall be issued by a money-center, solvent and nationally recognized bank (a bank which accepts deposits, maintains accounts, has a local San Diego or Los Angeles, California office which will negotiate a letter of credit, and whose deposits are insured by the FDIC) reasonably acceptable to Landlord (such approved, issuing bank being referred to herein as the "**Bank**"), which Bank must have a short term Fitch Rating which is not less than "F1", and a long term Fitch Rating which is not less than "A"(or in the event such Fitch Ratings are no longer available, a comparable rating from Standard and Poor's Professional Rating Service or Moody's Professional Rating Service) (collectively, the "**Bank's Credit Rating Threshold**"), and which L-C shall be in the form of **Exhibit G**, attached hereto. Tenant shall pay all expenses, points and/or fees incurred by Tenant in obtaining the L-C. The L-C shall (i) be "callable" at sight, irrevocable and unconditional, (ii) be maintained in effect, whether through renewal or extension, for the period commencing on the date of this Lease and continuing until the date (the "**L-C Expiration Date**") that is no less than one hundred twenty (120) days after the expiration of the Lease Term, and Tenant shall deliver a new L-C or certificate of renewal or extension to Landlord at least sixty (60) days prior to the expiration of the L-C then held by Landlord, without any action whatsoever on the part of Landlord, (iii) be fully assignable by Landlord, its successors and assigns, (iv) permit partial draws and multiple presentations and drawings, and (v) be otherwise subject to the International Standby Practices-ISP 98, International Chamber of Commerce Publication #590. Landlord, or its then managing agent, shall have the

right to draw down an amount up to the face amount of the L-C if any of the following shall have occurred or be applicable: (A) such amount is due to Landlord under the terms and conditions of this Lease (following the expiration of any applicable notice and cure periods), or (B) Tenant has filed a voluntary petition under the U. S. Bankruptcy Code or any state bankruptcy code (collectively, "**Bankruptcy Code**"), or (C) an involuntary petition has been filed against Tenant under the Bankruptcy Code, or (D) the Lease has been rejected, or is deemed rejected, under Section 365 of the U.S. Bankruptcy Code, following the filing of a voluntary petition by Tenant under the Bankruptcy Code, or the filing of an involuntary petition against Tenant under the Bankruptcy Code, or (E) the Bank has notified Landlord that the L-C will not be renewed or extended through the L-C Expiration Date, or (F) Tenant is placed into receivership or conservatorship, or becomes subject to similar proceedings under Federal or State law, or (G) Tenant executes an assignment for the benefit of creditors, or (H) if (1) any of the Bank's Fitch Ratings (or other comparable ratings to the extent the Fitch Ratings are no longer available) have been reduced below the Bank's Credit Rating Threshold, or (2) there is otherwise a material adverse change in the financial condition of the Bank, and in connection with this sub-item (H) or sub-item (E), above, Tenant has subsequently failed to provide Landlord with a replacement letter of credit, conforming in all respects to the requirements of this Article 21 (including, but not limited to, the requirements placed on the issuing Bank more particularly set forth in this Section 21.1 above), in the amount of the applicable L-C Amount, within ten (10) business days following Landlord's written demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to the contrary); provided, however, if prior to the expiration of such ten (10) business day period, Tenant is actively attempting to secure such replacement letter of credit and Tenant delivers a good faith deposit in the amount of one (1) month of the then applicable Base Rent (the "**Tolling Deposit**"), then such ten (10) business day period shall be extend for up to an additional ten (10) business days (for a total period of up to twenty (20) business days), but in no event beyond the date which is ten (10) business days immediately preceding the expiration date of the existing L-C (each of the foregoing items (A) through (H) being an "**L-C Draw Event**"). The L-C shall be honored by the Bank regardless of whether Tenant disputes Landlord's right to draw upon the L-C, and regardless of any discrepancies between the L-C and this Lease. In addition, in the event the Bank is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation or any successor or similar entity, then, effective as of the date such receivership or conservatorship occurs, said L-C shall be deemed to fail to meet the requirements of this Article 21, and, within ten (10) business days following Landlord's notice to Tenant of such receivership or conservatorship (the "**L-C FDIC Replacement Notice**"), Tenant shall replace such L-C with a substitute letter of credit from a different issuer (which issuer shall meet or exceed the Bank's Credit Rating Threshold and shall otherwise be acceptable to Landlord in its reasonable discretion) and that complies in all respects with the requirements of this Article 21. If Tenant fails to replace such L-C with such conforming, substitute letter of credit pursuant to the terms and conditions of this Section 21.1, then, notwithstanding anything in this Lease to the contrary, Landlord shall have the right to declare Tenant in default of this Lease for which there shall be no notice or grace or cure periods being applicable thereto (other than the aforesaid ten (10) business day period). Tenant shall be responsible for the payment of any and all costs incurred with the review of any replacement L-C (including without limitation Landlord's reasonable attorneys' fees), which replacement is required pursuant to this Section or is otherwise requested by Tenant. In the event of an assignment by Tenant of its interest in the Lease (and irrespective of whether Landlord's consent is required for such assignment), the acceptance of any replacement or substitute letter of credit by Landlord from the assignee shall be subject to Landlord's prior written approval, in Landlord's sole and absolute discretion, and the attorney's fees incurred by Landlord in connection with such determination shall be payable by Tenant to Landlord within ten (10) days of billing.

21.2 **Application of L-C**. Tenant hereby acknowledges and agrees that Landlord is entering into this Lease in material reliance upon the ability of Landlord to draw upon the L-C upon the occurrence of any L-C Draw Event. In the event of any L-C Draw Event, Landlord may, but without obligation to do so, and without notice to Tenant (except in connection with an L-C Draw Event under Section 21.1(H) above), draw upon the L-C, in part or in whole, to cure any such L-C Draw Event and/or to compensate Landlord for any and all damages of any kind or nature sustained or which Landlord reasonably estimates that it will sustain resulting from Tenant's breach or default of the Lease or other L-C Draw Event and/or to compensate Landlord for any and all damages arising out of, or incurred in connection with, the termination of this Lease, including, without limitation, those specifically identified in Section 1951.2 of the California Civil Code. The use, application or retention of the L-C, or any portion thereof, by Landlord shall not prevent

Landlord from exercising any other right or remedy provided by this Lease or by any applicable law, it being intended that Landlord shall not first be required to proceed against the L-C, and such L-C shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the L-C, either prior to or following a "draw" by Landlord of any portion of the L-C, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw upon the L-C; provided that the foregoing shall not limit Tenant's right to thereafter seek, from a court of competent jurisdiction, the recovery of any improperly drawn amounts on such L-C. No condition or term of this Lease shall be deemed to render the L-C conditional to justify the issuer of the L-C in failing to honor a drawing upon such L-C in a timely manner. Tenant agrees and acknowledges that (i) the L-C constitutes a separate and independent contract between Landlord and the Bank, (ii) Tenant is not a third party beneficiary of such contract, (iii) Tenant has no property interest whatsoever in the L-C or the proceeds thereof, and (iv) in the event Tenant becomes a debtor under any chapter of the Bankruptcy Code, Tenant is placed into receivership or conservatorship, and/or there is an event of a receivership, conservatorship or a bankruptcy filing by, or on behalf of, Tenant, neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim and/or rights to the L-C and/or the proceeds thereof by application of Section 502(b)(6) of the U. S. Bankruptcy Code or otherwise.

21.3 **L-C Amount; Maintenance of L-C by Tenant; Liquidated Damages**.

21.3.1 **L-C Amount**. The L-C Amount shall initially be equal to the amount set forth in Section 8 of the Summary.

21.3.2 **Conditional Increase/Reduction of L-C Amount**. Landlord and Tenant hereby acknowledge and agree that to the extent Tenant is not otherwise in default under this Lease and is then satisfying the "Required Financial Condition" identified hereinbelow, the L-C Amount is subject to annual reduction throughout the Lease Term from and after the fourth (4th) anniversary of the Lease Commencement Date as set forth in this Section 21.3.1.2. The initial L-C Amount shall be as set forth in Section 21.3.1.1, above. If, on the fourth (4th) anniversary and on each anniversary thereafter, Tenant maintains the Required Financial Condition, the otherwise applicable L-C Amount shall be reduced by […***…]; provided, however, in no event shall the L-C Amount ever be reduced below […***…] (i.e., […***…]); provided further, however, if on any such scheduled reduction date (i) Tenant is in default, such corresponding decrease shall instead take place retroactively after such default is cured, but in no event shall any decrease take effect in the event this Lease is terminated early due to such default by Tenant, and (ii) Tenant fails to satisfy the Required Financial Condition, while no reduction shall then occur, if Tenant thereafter reestablishes itself as satisfying the Required Financial Condition, such decreases shall occur on first (1st) anniversary of such reestablishment and annually thereafter. For purposes of this Section 21.3.2, the "**Required Financial Condition**" shall mean Tenant's satisfaction of each of following: (X) an equity market capitalization value of […***…]; (Y) immediately available cash-on-hand of […***…]; and (Z) a minimum of […***…] of EBITDA in the then-trailing twelve (12)-month period.

21.3.3 **In General**. If, as a result of any drawing by Landlord of all or any portion of the L-C, the amount of the L-C shall be less than the then-applicable L-C Amount, Tenant shall, within five (5) days thereafter, provide Landlord with additional letter(s) of credit in an amount equal to the deficiency, and any such additional letter(s) of credit shall comply with all of the provisions of this Article 21, and if Tenant fails to comply with the foregoing, the same shall be subject to the terms of Section 21.3.3 below. Tenant further covenants and warrants that it will neither assign nor encumber the L-C or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. Without limiting the generality of the foregoing, if the L-C expires earlier than the L-C Expiration Date, Landlord will accept a renewal thereof (such renewal letter of credit to be in effect and delivered to Landlord, as applicable, not later than thirty (30) days prior to the expiration of the L-C), which shall be irrevocable and automatically renewable as above provided through the L-C Expiration Date upon the same terms as the expiring L-C or such other terms as may be

acceptable to Landlord in its sole discretion. Upon acceptance of the substitute L-C by Landlord, the prior L-C shall be surrendered and canceled; provided, however, to the extent Landlord reasonably concludes (based upon its review of Tenant's current [or then-most recently available] audited financial statement which includes a going concern qualification in any report or opinion related to such financial statement) that there is a material risk of Tenant becoming insolvent or otherwise subject to the bankruptcy-related provisions of Section 19.1.3, above, Landlord shall not be required to so surrender the prior L-C until the date which is ninety (90) days after its receipt of the substitute L-C. However, if the L-C is not timely renewed, or if Tenant fails to maintain the L-C in the amount and in accordance with the terms set forth in this Article 21, Landlord shall have the right to either (x) present the L-C to the Bank in accordance with the terms of this Article 21, and the proceeds of the L-C may be applied by Landlord against any Rent payable by Tenant under this Lease that is not paid when due and/or to pay for all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any breach or default by Tenant under this Lease, or (y) pursue its remedies under this Lease. In the event Landlord elects to exercise its rights under the foregoing item (x), (I) any unused proceeds shall constitute the property of Landlord (and not Tenant's property or, in the event of a receivership, conservatorship, or a bankruptcy filing by, or on behalf of, Tenant, property of such receivership, conservatorship or Tenant's bankruptcy estate) and need not be segregated from Landlord's other assets, and (II) Landlord agrees to pay to Tenant within thirty (30) days after the L-C Expiration Date the amount of any proceeds of the L-C received by Landlord and not applied against any Rent payable by Tenant under this Lease that was not paid when due or used to pay for any losses and/or damages suffered by Landlord (or reasonably estimated by Landlord that it will suffer) as a result of any breach or default by Tenant under this Lease; provided, however, that if prior to the L-C Expiration Date a voluntary petition is filed by Tenant, or an involuntary petition is filed against Tenant by any of Tenant's creditors, under the Bankruptcy Code, then Landlord shall not be obligated to make such payment in the amount of the unused L-C proceeds until either all preference issues relating to payments under this Lease have been resolved in such bankruptcy or reorganization case or such bankruptcy or reorganization case has been dismissed.

21.4 **Transfer and Encumbrance**. The L-C shall also provide that Landlord may, at any time and without notice to Tenant and without first obtaining Tenant's consent thereto, transfer (one or more times) all or any portion of its interest in and to the L-C to another party, person or entity, regardless of whether or not such transfer is from or as a part of the assignment by Landlord of its rights and interests in and to this Lease. In the event of a transfer of Landlord's interest in under this Lease, Landlord shall transfer the L-C, in whole or in part, to the transferee and thereupon Landlord shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the whole of said L-C to a new landlord. In connection with any such transfer of the L-C by Landlord, Tenant shall, at Tenant's sole cost and expense, execute and submit to the Bank such applications, documents and instruments as may be necessary to effectuate such transfer and, Tenant shall be responsible for paying the Bank's transfer and processing fees in connection therewith; provided that, Landlord shall have the right (in its sole discretion), but not the obligation, to pay such fees on behalf of Tenant, in which case Tenant shall reimburse Landlord within ten (10) days after Tenant's receipt of an invoice from Landlord therefor.

21.5 **L-C Not a Security Deposit**. Landlord and Tenant (1) acknowledge and agree that in no event or circumstance shall the L-C or any renewal thereof or substitute therefor or any proceeds thereof be deemed to be or treated as a "security deposit" under any law applicable to security deposits in the commercial context, including, but not limited to, Section 1950.7 of the California Civil Code, as such Section now exists or as it may be hereafter amended or succeeded (the "**Security Deposit Laws**"), (2) acknowledge and agree that the L-C (including any renewal thereof or substitute therefor or any proceeds thereof) is not intended to serve as a security deposit, and the Security Deposit Laws shall have no applicability or relevancy thereto, and (3) waive any and all rights, duties and obligations that any such party may now, or in the future will, have relating to or arising from the Security Deposit Laws. Tenant hereby irrevocably waives and relinquishes the provisions of Section 1950.7 of the California Civil Code and any successor statute, and all other provisions of law, now or hereafter in effect, which (x) establish the time frame by which a landlord must refund a security deposit under a lease, and/or (y) provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a tenant or to clean the premises, it being agreed that Landlord may, in addition, claim those sums specified in this Article 21 and/or

those sums reasonably necessary to (a) compensate Landlord for any loss or damage caused by Tenant's breach of this Lease, including any damages Landlord suffers following termination of this Lease, and/or (b) compensate Landlord for any and all damages arising out of, or incurred in connection with, the termination of this Lease, including, without limitation, those specifically identified in Section 1951.2 of the California Civil Code.

21.6 **Non-Interference By Tenant**. Tenant agrees not to interfere in any way with any payment to Landlord of the proceeds of the L-C, either prior to or following a "draw" by Landlord of all or any portion of the L-C, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw down all or any portion of the L-C. No condition or term of this Lease shall be deemed to render the L-C conditional and thereby afford the Bank a justification for failing to honor a drawing upon such L-C in a timely manner. Tenant shall not request or instruct the Bank of any L-C to refrain from paying sight draft(s) drawn under such L-C.

21.7 **Waiver of Certain Relief**. Tenant unconditionally and irrevocably waives (and as an independent covenant hereunder, covenants not to assert) any right to claim or obtain any of the following relief in connection with the L-C:

21.7.1 A temporary restraining order, temporary injunction, permanent injunction, or other order that would prevent, restrain or restrict the presentment of sight drafts drawn under any L-C or the Bank's honoring or payment of sight draft(s); or

21.7.2 Any attachment, garnishment, or levy in any manner upon either the proceeds of any L-C or the obligations of the Bank (either before or after the presentment to the Bank of sight drafts drawn under such L-C) based on any theory whatever.

21.8 **Remedy for Improper Drafts**. Tenant's sole remedy in connection with the improper presentment or payment of sight drafts drawn under any L-C shall be the right to obtain from Landlord a refund of the amount of any sight draft(s) that were improperly presented or the proceeds of which were misapplied, together with interest at the Interest Rate and reasonable actual out-of-pocket attorneys' fees, provided that at the time of such refund, Tenant increases the amount of such L-C to the amount (if any) then required under the applicable provisions of this Lease. Tenant acknowledges that the presentment of sight drafts drawn under any L-C, or the Bank's payment of sight drafts drawn under such L-C, could not under any circumstances cause Tenant injury that could not be remedied by an award of money damages, and that the recovery of money damages would be an adequate remedy therefor. In the event Tenant shall be entitled to a refund as aforesaid and Landlord shall fail to make such payment within ten (10) business days after demand, Tenant shall have the right to deduct the amount thereof together with interest thereon at the Interest Rate from the next installment(s) of Base Rent.

ARTICLE 22

SUBSTITUTION OF OTHER PREMISES

To the extent Landlord executes a lease with a third party tenant for three (3) full floors or more of the Building on or before June 30, 2019 (the "**Relocation Notice Outside Date**"), then Landlord shall have the right to move Tenant to other space consisting of two (2) immediately adjacent, full-floors within the Building and located above the first (1st) floor (i.e., floors 2 & 3; floors 3 & 4, or floors 5 & 6), and all terms hereof shall apply to the new space with equal force. In such event, Landlord shall give Tenant prompt written notice (the "**Relocation Notice**") of Landlord's desire to relocate Tenant to such other space and to construct the Improvements therein in accordance with the Work Letter as otherwise applicable to the original Premises, which Relocation Notice shall in all events be not less than ten (10) business days prior to executing such third party tenant lease containing three (3) full floors or more of the Building. Simultaneously with such relocation of the Premises, the parties shall immediately execute an amendment to this Lease stating the relocation of the Premises.

ARTICLE 23

SIGNS

23.1 **Full Floors**. Subject to Landlord's prior written approval, in its sole discretion, and provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, if the Premises comprise an entire floor of the Building, at Landlord's sole cost and expense, may install identification signage in the elevator lobbies on the floors of the Building on which the Premises is located and at the entrance to Suite 500, provided that such signs must not be visible from the exterior of the Building.

23.2 **Multi-Tenant Floors**. If other tenants occupy space on the floor on which the Premises is located, Tenant's identifying signage shall be provided by Landlord, at Tenant's cost, and such signage shall be comparable to that used by Landlord for other similar floors in the Building and shall comply with Landlord's Building standard signage program.

23.3 **Building Directory**. A building directory is located in the lobby of the Building. Tenant shall have the right, at Landlord's sole cost and expense as to Tenant's initial name strip', to designate one (1) name strip on such directory, and any subsequent changes to Tenant's name strip shall be at Tenant's sole cost and expense following Tenant's receipt of Landlord's consent thereto (which consent may be withheld in Landlord's sole and absolute discretion).

23.4 **Prohibited Signage and Other Items**. Any signs, notices, logos, pictures, names or advertisements which are installed and that have not been separately approved by Landlord may be removed without notice by Landlord at the sole expense of Tenant. Tenant may not install any signs on the exterior or roof of the Project or the Common Areas. Any signs, window coverings, or blinds (even if the same are located behind the Landlord-approved window coverings for the Building), or other items visible from the exterior of the Premises or Building, shall be subject to the prior approval of Landlord, in its sole discretion.

23.5 **Tenant's Signage**. In addition to the signage rights set forth above in this Article 23, and subject to the terms of Section 23.5.3 below, provided that Original Tenant or a Permitted Transferee Assignee leases the entirety of, and is in occupancy of not less than sixty percent (60%) of, the Premises, then Tenant shall be entitled to install one Building-top sign (the "**Tenant's Signage**"); provided, however, to the extent a third party tenant leases space in the Building which is larger than the Premises, then such third party may select (or Landlord may designate to such third party) the particular Building-top sign location; otherwise, Tenant shall have the right to select its preferred Building-top signage location from the available locations.

23.5.1 **Tenant's Signage Specifications and Permits**. Tenant's Signage shall set forth Tenant's name or logo as determined by Tenant; provided, however, in no event shall Tenant's Signage include an "Objectionable Name or Logo," as that term is defined in Section 23.5.2 below. The graphics, materials, color, design, lettering, lighting, size, illumination, specifications and exact location of Tenant's Signage shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and shall be consistent and compatible with the quality and nature of the Project and the exterior Building signage of other tenants of the Building. In addition, Tenant's Signage shall be subject to Tenant's receipt of all required governmental permits and approvals and shall be subject to all Applicable Laws and the CC&Rs. Landlord shall use commercially reasonable efforts to assist Tenant in obtaining all necessary governmental permits and approvals for Tenant's Signage. Tenant hereby acknowledges that, notwithstanding Landlord's approval of Tenant's Signage, Landlord has made no representation or warranty to Tenant with respect to the probability of obtaining all necessary governmental approvals and permits for Tenant's Signage. In the event Tenant does not receive the necessary governmental approvals and permits for Tenant's Signage, Tenant's and Landlord's rights and obligations under the remaining terms and conditions of this Lease shall be unaffected.

23.5.2 **Objectionable Name or Logo**. In no event shall Tenant's Signage include, identify or otherwise refer to a name and/or logo which relates to an entity which is of a character or reputation, or is associated with a political faction or orientation, which is inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of a Comparable Building (an "**Objectionable Name or Logo**"). The parties hereby agree that the name "ACADIA" or any reasonable derivation thereof, shall not be deemed an Objectionable Name or Logo.

23.5.3 **Termination of Right to Tenant's Signage**. The rights to the Tenant's Signage contained in this Section 23.5 may only be exercised by Original Tenant or its Permitted Transferee Assignee (and not any other assignee or any sublessee or other transferee of the Original Tenant's interest in this Lease). With respect to the Building-Top Sign, in the event the Original Tenant and/or its Permitted Transferee Assignee are not in occupancy of sixty percent (60%) or more of the Premises for all or substantially all of the Lease Term, then Landlord shall have the right to terminate Tenant's right to the Building-Top Sign upon, and to the extent, Landlord grants such building-top sign right to any other tenant of the Building.

23.5.4 **Cost and Maintenance of Tenant's Signage**. The costs of the actual sign(s) comprising Tenant's Signage and the installation, design, construction, and any and all other costs associated with Tenant's Signage, including, without limitation, utility charges and hook-up fees, permits, and maintenance and repairs, shall be the sole responsibility of Tenant, at Tenant's sole cost and expense. Should Tenant's Signage require repairs and/or maintenance, as determined in Landlord's reasonable judgment, Landlord shall cause such repairs and/or maintenance to be performed, and Tenant shall pay Landlord upon demand the cost of the same as Additional Rent. Upon the expiration or earlier termination of this Lease (or within ten (10)business days following Tenant's receipt of written notice from Landlord that Tenant's rights to such Tenant's Signage have terminated as a result of a Tenant default under this Lease or Tenant's failure to satisfy the occupancy requirement, as set forth in Section 23.5.3 above), Tenant shall, at Tenant's sole cost and expense, cause Tenant's Signage to be removed and shall cause the area in which such Tenant's Signage was located to be restored to the condition existing immediately prior to the installation of such Tenant's Signage. If Tenant fails to timely remove such Tenant's Signage or to restore the areas in which such Tenant's Signage was located, as provided in the immediately preceding sentence, then Landlord may perform such work, and all costs incurred by Landlord in so performing shall be reimbursed by Tenant to Landlord within thirty (30) days after Tenant's receipt of an invoice therefor. The terms and conditions of this Section 23.5.4 shall survive the expiration or earlier termination of this Lease.

ARTICLE 24

COMPLIANCE WITH LAW

24.1 **In General**. Landlord shall comply with all Applicable Laws relating to the Base Building, provided that compliance with such Applicable Laws is not the responsibility of Tenant under this Lease, and provided further that Landlord's failure to comply therewith would prohibit Tenant from obtaining or maintaining a certificate of occupancy for the Premises, or would unreasonably and materially affect the safety of Tenant's employees or create a significant health hazard for Tenant's employees. Landlord covenants to Tenant that on the Lease Commencement Date, the Premises, Building and Common Areas of the Project will be in compliance in all material respects with Applicable Laws. Landlord shall be permitted to include in Operating Expenses any costs or expenses incurred by Landlord under this Article 24 to the extent not prohibited by the terms of Section 4.2.4 above, unless such costs relate to a condition that was existing, in violation of Applicable Laws, prior to the Lease Commencement Date. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist (CASp). As required by Section 1938(e) of the California Civil Code, Landlord hereby states as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." In furtherance of the foregoing, Landlord and Tenant hereby agree as follows: (a) any CASp inspection requested by Tenant shall be conducted, at Tenant's sole cost and expense, by a CASp designated by Landlord, subject to Landlord's reasonable rules and requirements; (b) Tenant, at its sole cost and expense, shall be responsible for making any improvements or repairs within the Premises to correct violations of construction-related accessibility standards identified by such Tenant-requested CASp inspection; and (c) if anything done by or for Tenant in its use or occupancy of the Premises shall require any

improvements or repairs to the Building, the Office Center, or Project (outside the Premises) to correct violations of construction-related accessibility standards identified by such Tenant-requested CASp inspection, then Tenant shall reimburse Landlord upon demand, as Additional Rent, for the cost to Landlord of performing such improvements or repairs.

Tenant shall not do anything or suffer anything to be done in or about the Premises or the Project which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated, including, without limitation, any such governmental regulations related to disabled access (i.e., the Americans with Disabilities Act of 1990 ("**ADA**")) (collectively, "**Applicable Laws**"). At its sole cost and expense, Tenant shall promptly comply with all Applicable Laws (including the making of any alterations to the Premises required by Applicable Laws) which relate to (i) Tenant's use of the Premises, (ii) the Alterations or the Improvements in the Premises, or (iii) the Base Building, but, as to the Base Building, only to the extent such obligations are triggered by Tenant's Alterations, the Improvements, or use of the Premises for non-general office use. Should any standard or regulation now or hereafter be imposed on Landlord or Tenant by a state, federal or local governmental body charged with the establishment, regulation and enforcement of occupational, health or safety standards for employers, employees, landlords or tenants, then Tenant agrees, to the extent the standard or regulation relates to Tenant's particular use of the Premises and at its sole cost and expense, to comply promptly with such standards or regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any judicial action, regardless of whether Landlord is a party thereto, that Tenant has violated any of said governmental measures, shall be conclusive of that fact as between Landlord and Tenant.

ARTICLE 25

LATE CHARGES

If any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee when due, then Tenant shall pay to Landlord a late charge equal to five three (3%) of the overdue amount plus any attorneys' fees incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charges when due hereunder; provided, however, with regard to the first such failure in any twelve (12) month period, Landlord will waive such late charge to the extent Tenant cures such failure within five (5) business days following Tenant's receipt of written notice from Landlord that the same was not received when due. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing hereunder which are not paid within ten (10) days after the date they are due shall bear interest from the date when due until paid at the "Interest Rate." For purposes of this Lease, the "**Interest Rate**" shall be an annual rate equal to the lesser of (i) the annual "**Bank Prime Loan**" rate cited in the Federal Reserve Statistical Release Publication H.15(519), published weekly (or such other comparable index as Landlord and Tenant shall reasonably agree upon if such rate ceases to be published), plus two (2) percentage points, and (ii) the highest rate permitted by applicable law.

ARTICLE 26

LANDLORD'S RIGHT TO CURE DEFAULT; PAYMENTS BY TENANT

26.1 **Landlord's Cure**. All covenants and agreements to be kept or performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any reduction of Rent, except to the extent, if any, otherwise expressly provided herein. If Tenant shall fail to perform any obligation under this Lease, and such failure shall continue in excess of the time allowed under Section 19.1.2, above, unless a specific time period is otherwise stated in this Lease, Landlord may, but shall not be obligated to, make any such payment or perform any such act on Tenant's part without waiving its rights based upon any default of Tenant and without releasing Tenant from any obligations hereunder.

26.2 **Tenant's Reimbursement**. Except as may be specifically provided to the contrary in this Lease, Tenant shall pay to Landlord, upon delivery by Landlord to Tenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Landlord in connection with the remedying by Landlord of Tenant's defaults pursuant to the provisions of

Section 26.1; (ii) sums equal to all losses, costs, liabilities, damages and expenses referred to in Article 10 of this Lease; and (iii) sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Landlord under this Lease or pursuant to law, including, without limitation, all legal fees and other amounts so expended. Tenant's obligations under this Section 26.2 shall survive the expiration or sooner termination of the Lease Term.

ARTICLE 27

ENTRY BY LANDLORD

Landlord reserves the right at all reasonable times (during Building Hours with respect to items (i) and (ii) below) and upon at least twenty-four (24) hours prior notice to Tenant (except in the case of an emergency) to enter the Premises to (i) inspect them; (ii) show the Premises to prospective purchasers, or to current or prospective mortgagees, ground or underlying lessors or insurers, or during the last twelve (12) months of the Lease Term, to prospective tenants; (iii) post notices of nonresponsibility; or (iv) alter, improve or repair the Premises or the Building, or for structural alterations, repairs or improvements to the Building or the Building's systems and equipment. Notwithstanding anything to the contrary contained in this Article 27, Landlord may enter the Premises at any time to (A) perform services required of Landlord, including janitorial service; (B) take possession due to any breach of this Lease in the manner provided herein; and (C) perform any covenants of Tenant which Tenant fails to perform. Landlord may make any such entries without the abatement of Rent, except as otherwise provided in this Lease, and may take such reasonable steps as required to accomplish the stated purposes; provided, however, except for (*x*) emergencies, (*y*) repairs, alterations, improvements or additions required by governmental or quasi-governmental authorities or court order or decree, or (*z*) repairs which are the obligation of Tenant hereunder, any such entry shall be performed in a manner so as not to unreasonably interfere with Tenant's use of the Premises and shall be performed after normal business hours if reasonably practical. With respect to items (*y*) and (*z*) above, Landlord shall use commercially reasonable efforts to not materially interfere with Tenant's use of, or access to, the Premises. Tenant hereby waives any claims for damages or for any injuries or inconvenience to or interference with Tenant's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes and special security areas designated in advance by Tenant. In an emergency, Landlord shall have the right to use any means that Landlord may deem proper to open the doors in and to the Premises. Any entry into the Premises by Landlord in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises. No provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed to be performed by Landlord herein.

ARTICLE 28

TENANT PARKING

Tenant shall (i) be entitled to rent from Landlord, on a monthly basis throughout the Lease Term, commencing on the Lease Commencement Date, the amount of reserved parking passes set forth in Section 9 of the Summary, and (ii) be entitled to use commencing on the Lease Commencement Date, the amount of unreserved parking passes set forth in Section 9 of the Summary, which parking passes shall pertain to the Project parking structure. Tenant shall pay to Landlord (or its designee) for the reserved parking passes on a monthly basis at the prevailing rate charged from time to time at the location of such parking passes; provided, however, the monthly rate for Tenant's reserved parking passes shall be One Hundred Fifty and No/100 Dollars ($150.00) per reserved parking pass for the remainder of the initial Lease Term (as opposed to any Option Term); provided further, however, that for Lease Months one (1) through thirty-six (36) of the initial Lease Term only, Tenant shall receive five (5) reserved spaces without charge (excepting only any parking taxes or other charges imposed by governmental authorities in connection with the use of such reserved parking passes).' Tenant's unreserved parking passes shall be without charge for the initial Lease Term only (excepting only any parking taxes or other charges imposed by governmental authorities in connection with the use of such parking). In addition to any fees that may be charged to Tenant in connection with its parking of automobiles in the Project parking

structure, Tenant shall be responsible for the full amount of any taxes imposed by any governmental authority in connection with the renting of such parking passes by Tenant or the use of the parking facility by Tenant. Tenant's continued right to use the parking passes is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the parking facility where the parking passes are located, including any sticker or other identification system established by Landlord, Tenant's cooperation in seeing that Tenant's employees and visitors also comply with such rules and regulations and Tenant not being in default under this Lease. Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Project parking facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, temporarily close-off or restrict access to the Project parking facility for purposes of permitting or facilitating any such construction, alteration or improvements. Notwithstanding the foregoing, no such changes shall materially adversely affect Tenant's access to or use of the Premises. During any period of temporary closure of or restricted access to the Project parking areas, Landlord shall be responsible to provide Tenant with reasonable replacement parking in reasonable proximity and with reasonable access to the Premises. Landlord may, at any time, institute valet assisted parking, tandem parking stalls, "stack" parking, or other parking program within the Project parking facility, the cost of which shall be included in Operating Expenses, unless otherwise restricted pursuant to the exclusion in Section 4.2.4(p) of this Lease. Landlord may delegate its responsibilities hereunder to a parking operator in which case such parking operator shall have all the rights of control attributed hereby to the Landlord. The parking passes rented by Tenant pursuant to this Article 28 are provided to Tenant solely for use by Tenant's own personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval.

ARTICLE 29

MISCELLANEOUS PROVISIONS

29.1 **Terms; Captions**. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

29.2 **Binding Effect**. Subject to all other provisions of this Lease, each of the covenants, conditions and provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective heirs, personal representatives, successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Article 14 of this Lease.

29.3 **No Air Rights**. No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease. If at any time any windows of the Premises is temporarily darkened or the light or view therefrom is obstructed by reason of any repairs, improvements, maintenance or cleaning in or about the Project, the same shall be without liability to Landlord and without any reduction or diminution of Tenant's obligations under this Lease.

29.4 **Modification of Lease**. Should any current or prospective mortgagee or ground lessor for the Building or Project require a modification of this Lease, which modification will not cause an increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder, then and in such event, Tenant agrees that this Lease may be so modified and agrees to execute whatever documents are reasonably required therefor and to deliver the same to Landlord within ten (10) days following a request therefor. At the request of Landlord or any mortgagee or ground lessor, Tenant agrees to execute a short form of Lease and deliver the same to Landlord within ten (10) days following the request therefor.

29.5 **Transfer of Landlord's Interest**. Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in the Project or Building and in this Lease, and Tenant agrees that in the event of any such transfer, Landlord shall automatically be released from all liability under this Lease arising after the date of transfer and Tenant agrees to look solely to

such transferee for the performance of Landlord's obligations hereunder after the date of transfer and such transferee shall be deemed to have fully assumed and be liable for all obligations of this Lease to be performed by Landlord, including the return of any Security Deposit, and Tenant shall attorn to such transferee. Tenant further acknowledges that Landlord may assign its interest in this Lease to a mortgage lender as additional security and agrees that such an assignment shall not release Landlord from its obligations hereunder and that Tenant shall continue to look to Landlord for the performance of its obligations hereunder.

29.6 **Prohibition Against Recording or Publication**. Neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded or otherwise published by Tenant or by anyone acting through, under or on behalf of Tenant.

29.7 **Landlord's Title**. Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord.

29.8 **Relationship of Parties**. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant.

29.9 **Application of Payments**. Landlord shall have the right to apply payments received from Tenant pursuant to this Lease, regardless of Tenant's designation of such payments, to satisfy any obligations of Tenant hereunder, in such order and amounts as Landlord, in its sole discretion, may elect.

29.10 **Time of Essence**. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

29.11 **Partial Invalidity**. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

29.12 **No Warranty**. Except as otherwise expressly set forth in this Lease to the contrary, in executing and delivering this Lease, Tenant has not relied on any representations, including, but not limited to, any representation as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the exhibits attached hereto. Except as otherwise expressly set forth in this Lease to the contrary, Tenant agrees that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the physical condition of the Building, the Project, the land upon which the Building or the Project are located, or the Premises, or the expenses of operation of the Premises, the Building or the Project, or any other matter or thing affecting or related to the Premises, except as herein expressly set forth in the provisions of this Lease.

29.13 **Landlord Exculpation**. The liability of Landlord or the Landlord Parties to Tenant for any default by Landlord under this Lease or arising in connection herewith or with Landlord's operation, management, leasing, repair, renovation, alteration or any other matter relating to the Project or the Premises shall be limited solely and exclusively to an amount which is equal to the net interest of Landlord in the Building (and the corresponding parcel of land underlying such Building) including any sales, rental or insurance proceeds received by Landlord or the Landlord Parties in connection with the Project, Building, and corresponding parcel(s) of land (following payment of any outstanding liens and/or mortgages, whether attributable to sales or insurance proceeds or otherwise). Except as set forth in the immediately preceding sentence, neither Landlord, nor any of the Landlord Parties shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant. The limitations of liability contained in this Section 29.13 shall inure to the benefit of Landlord's and the Landlord Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner

of Landlord (if Landlord is a partnership), or trustee or beneficiary (if Landlord or any partner of Landlord is a trust), have any liability for the performance of Landlord's obligations under this Lease. Notwithstanding any contrary provision herein, neither Landlord nor the Landlord Parties shall be liable under any circumstances for injury or damage to, or interference with, Tenant's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring. Notwithstanding any contrary provision herein, other than in connection with a holdover by Tenant pursuant to Article 16, above, neither Tenant nor the Tenant Parties shall be liable under any other circumstances for injury or damage to, or interference with, Landlord's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

29.14 **Entire Agreement**. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease constitutes the parties' entire agreement with respect to the leasing of the Premises and supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto (including, without limitation, any confidentiality agreement, letter of intent, request for proposal, or similar agreement previously entered into between Landlord and Tenant in anticipation of this Lease) or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. None of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto.

29.15 **Right to Lease**. Landlord reserves the absolute right to effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Building or Project. Tenant does not rely on the fact, nor does Landlord represent, that any specific tenant or type or number of tenants shall, during the Lease Term, occupy any space in the Building or Project.

29.16 **Force Majeure**. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease (collectively, a "**Force Majeure**"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

29.17 **Waiver of Redemption by Tenant**. Tenant hereby waives, for Tenant and for all those claiming under Tenant, any and all rights now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Tenant's right of occupancy of the Premises after any termination of this Lease.

29.18 **Notices**. All notices, demands, statements or communications (collectively, "**Notices**") given or required to be given by either party to the other hereunder shall be in writing, shall be (A) delivered by a nationally recognized overnight courier, or (B) delivered personally. Any such Notice shall be delivered (i) to Tenant at the appropriate address set forth in Section 10 of the Summary, or to such other place as Tenant may from time to time designate in a Notice to Landlord; or (ii) to Landlord at the addresses set forth in Section 11 of the Summary, or to such other firm or to such other place as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given on the date of receipted delivery, of refusal to accept delivery, or when delivery is first attempted but cannot be made due to a change of address for which no Notice was given. If Tenant is notified of the identity and address of Landlord's mortgagee or ground or underlying lessor, Tenant shall give to such mortgagee or ground or underlying lessor written notice of any default by Landlord under the terms of this Lease by registered or certified mail, and such mortgagee or ground or underlying lessor shall be given a reasonable opportunity to cure such default prior to Tenant's exercising any remedy available to Tenant. The party delivering Notice shall use commercially reasonable efforts to provide a courtesy copy of each such Notice to the receiving party via electronic mail.

29.19 **Joint and Several**. If there is more than one Tenant, the obligations imposed upon Tenant under this Lease shall be joint and several.

29.20 **Authority**. If Tenant is a corporation, trust or partnership, each individual executing this Lease on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Lease and that each person signing on behalf of Tenant is authorized to do so. In such event, Tenant shall, within ten (10) days after execution of this Lease, deliver to Landlord satisfactory evidence of such authority and, if a corporation, upon demand by Landlord, also deliver to Landlord satisfactory evidence of (i) good standing in Tenant's state of incorporation and (ii) qualification to do business in California.

29.21 **Attorneys' Fees**. In the event that either Landlord or Tenant should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease or for any other relief against the other, then all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

29.22 **Governing Law; WAIVER OF TRIAL BY JURY**. This Lease shall be construed and enforced in accordance with the laws of the State of California. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, LANDLORD AND TENANT HEREBY CONSENT TO (I) THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE OF CALIFORNIA, (II) SERVICE OF PROCESS BY ANY MEANS AUTHORIZED BY CALIFORNIA LAW, AND (III) IN THE INTEREST OF SAVING TIME AND EXPENSE, TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF BASE RENT OR ADDITIONAL RENT, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW.

29.23 **Submission of Lease**. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of, option for or option to lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

29.24 **Brokers**. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate brokers or agents specified in Section 12 of the Summary (the "**Brokers**"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Landlord shall pay the Brokers pursuant to the terms of separate commission agreements. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under the indemnifying party.

29.25 **Independent Covenants**. This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any setoff of the Rent or other amounts owing hereunder against Landlord.

29.26 **Project or Building Name and Signage**. Landlord shall have the right at any time to change the name of the Project or Building and to install, affix and maintain any and all signs

on the exterior and on the interior of the Project or Building as Landlord may, in Landlord's sole discretion, desire. Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

29.27 **Counterparts**. This Lease may be executed in counterparts with the same effect as if both parties hereto had executed the same document. Both counterparts shall be construed together and shall constitute a single lease.

29.28 **Confidentiality**. Tenant acknowledges that the content of this Lease and any related documents are confidential information. Except as otherwise required by law, Tenant shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Tenant's financial, legal, and space planning consultants, prospective purchasers, prospective lenders, investors, or any independent auditors, third party's designated to review Direct Expenses, its directors, officers, employees, attorneys, or proposed Transferees. Landlord acknowledges that the content of this Lease and any related documents (including financial statements provided by Tenant pursuant to Article 17 above) are confidential information. Landlord shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Landlord's financial, legal and space planning consultants, or its directors, officers, employees, attorneys, accountants, prospective lenders, prospective purchasers, and current and potential partners. Moreover, Landlord has advised Tenant that Landlord is obligated by law to regularly provide financial information concerning the Landlord and/or its affiliates (including Kilroy Realty Corporation, a public company whose shares of stock are listed on the New York Stock Exchange) to the shareholders of its affiliates, to the Federal Securities and Exchange Commission and other regulatory agencies, and to auditors and underwriters, which information may include the fact that Tenant is a tenant at the Project and summaries of financial information concerning leases, rents, costs and results of operations of its real estate business, including any rents or results of operations affected by this Lease. To the extent Tenant is a publicly traded corporation or as otherwise required by law, Tenant may be obligated to regularly provide financial information concerning Tenant and/or its affiliates to the shareholders of its affiliates, to the Federal Securities and Exchange Commission and other regulatory agencies, and to auditors and underwriters, which information may include summaries of financial information concerning leases, rents, costs, and results of operations of its business, including any financial obligations set forth in this Lease and copies of material contracts, such as this Lease. This provision shall survive the expiration or earlier termination of this Lease for one (1) year.

29.29 **Transportation Management**. Tenant shall fully comply with all present or future programs intended to manage parking, transportation or traffic in and around the Building, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities.

29.30 **Building Renovations**. It is specifically understood and agreed that Landlord has made no representation or warranty to Tenant and has no obligation and has made no promises to alter, remodel, improve, renovate, repair or decorate the Premises, Building, or any part thereof after completion of the Building, Project and initial Improvements and that no representations respecting the condition of the Premises or the Building have been made by Landlord to Tenant except as specifically set forth in this Lease or in the Work Letter. However, Tenant hereby acknowledges that Landlord may, during the Lease Term, renovate, improve, alter, or modify (collectively, the "**Renovations**") the Project, the Building and/or the Premises including without limitation the parking structure, common areas, systems and equipment, roof, and structural portions of the same, which Renovations may include, without limitation, (i) installing sprinklers in the Building common areas and tenant spaces, (ii) modifying the common areas and tenant spaces to comply with applicable laws and regulations, including regulations relating to the physically disabled, seismic conditions, and building safety and security, and (iii) installing new floor covering, lighting, and wall coverings in the Building common areas, and in connection with any Renovations, Landlord may, among other things, erect scaffolding or other necessary structures in the Building, limit or eliminate access to portions of the Project, including portions

of the common areas, or perform work in the Building, which work may create noise, dust or leave debris in the Building. Tenant hereby agrees that such Renovations and Landlord's actions in connection with such Renovations shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent. Landlord shall have no responsibility or for any reason be liable to Tenant for any direct or indirect injury to or interference with Tenant's business arising from the Renovations, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's personal property or improvements resulting from the Renovations or Landlord's actions in connection with such Renovations, or for any inconvenience or annoyance occasioned by such Renovations or Landlord's actions (as opposed to (x) any abatement rights of Tenant under Section 6.4 of this Lease, (y) any damage to the property or injury to persons as addressed by Section 10.1 of this Lease, or (z) any insured claims otherwise available to Tenant in accordance with Article 10 of this Lease).

29.31 **No Violation**. Tenant hereby warrants and represents that neither its execution of nor performance under this Lease shall cause Tenant to be in violation of any agreement, instrument, contract, law, rule or regulation by which Tenant is bound, and Tenant shall protect, defend, indemnify and hold Landlord harmless against any claims, demands, losses, damages, liabilities, costs and expenses, including, without limitation, reasonable attorneys' fees and costs, arising from Tenant's breach of this warranty and representation.

29.32 **Rooftop Equipment**. At any time during the Lease Term, subject to the terms of this Lease, including this Section 29.32, Tenant may install, at Tenant's sole cost and expense, certain telecommunications equipment, HVAC and other equipment to the extent reasonably related to Tenant's use and occupancy of the Premises (collectively, the "**Rooftop Equipment**") upon the roof of the Building. In no event shall such Rooftop Equipment installed hereunder utilize more than Tenant's Share of the commercially reasonable portion(s) of the rooftop made available for such equipment as reasonably designated by Landlord therefore. Tenant's right to utilize the roof of the Building pursuant to the terms hereof shall be non-exclusive and without any additional rent of charge. In no event shall Tenant create any roof penetrations in order to connect the Rooftop Equipment to the Premises (provided that Landlord shall make available to Tenant a commercially reasonable amount of the existing rooftop penetrations for Tenant's use in connecting its Rooftop Equipment to the Premises). The physical appearance and all specifications of the Rooftop Equipment shall be subject to Landlord's approval (which shall not be unreasonably withheld), the location of any such installation of the Rooftop Equipment shall be designated by Landlord (subject to Tenant's reasonable approval), and Landlord may require Tenant to install screening around such Rooftop Equipment, at Tenant's sole cost and expense, as reasonably designated by Landlord. Notwithstanding the foregoing, Tenant hereby agrees to attach the Rooftop Equipment to the roof in accordance with Landlord's Building standard method therefor. Tenant shall be responsible, at Tenant's sole cost and expense, for (i) obtaining all permits or other governmental approvals required in connection with the Rooftop Equipment, (ii) repairing and maintaining and causing the Rooftop Equipment to comply with all Applicable Laws, (iii) any repairs to the roof of the Building beyond normal wear and tear resulting from Tenant's use of or access to the Rooftop Equipment, and (iv) prior to the expiration or earlier termination of this Lease, the removal of the Rooftop Equipment and all associated wiring (and the restoration of all affected areas to the condition existing prior to the installation thereof). In no event shall Tenant permit the Rooftop Equipment to interfere with any communications or other equipment at or servicing the Building or Project that exist as of the date of Tenant's installation (or reasonable substitutes or replacements therefor) or with any Building systems. Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from any and all loss, cost, damage, expense and liability (including, without limitation, court costs and reasonable attorneys' fees) incurred in connection with or arising from any cause related to Tenant's installation, use, repair or maintenance or any other matter relating to or in connection with the Rooftop Equipment. Tenant shall, at its sole cost and expense, remove all Rooftop Equipment (including any associated cabling) prior to the expiration or earlier termination of this Lease, repair all damage resulting therefrom, and restore all affected areas to their condition existing prior to Tenant's installation of such Rooftop Equipment. In the event Tenant elects to exercise its right to install the Rooftop Equipment, then Tenant shall give Landlord prior notice thereof and, at Landlord's option, Landlord and Tenant shall execute an amendment to this Lease covering the matters addressed in this Section 29.32, Tenant's payment for installation costs of the Rooftop Equipment, the installation and maintenance of such Rooftop Equipment by Tenant, Tenant's indemnification of Landlord with respect thereto, Tenant's obligation to remove such Rooftop Equipment (and to

restore the roof to its previously existing condition) upon the expiration or earlier termination of this Lease, and other related matters. Subject to Landlord's reasonable rooftop rules and regulations (including, without limitation, Landlord's reasonable notice requirements), Tenant shall be permitted to access the roof of the Building in order to install, repair and maintain its Rooftop Equipment. The rights set forth in this Section 29.32 shall be personal to the Original Tenant and its Permitted Transferee Assignee and may not be assigned to or utilized by any other assignee, sublessee, transferee or any other party.

29.33 **Communications and Computer Lines**. Tenant may install, maintain, replace, remove or use any communications or computer wires and cables (collectively, the "**Lines**") at the Project in or serving the Premises, provided that (i) Tenant shall obtain Landlord's prior written consent, use an experienced and qualified contractor reasonably approved in writing by Landlord), and comply with all of the other provisions of Articles 7 and 8 of this Lease, (ii) an acceptable number of spare Lines and space for additional Lines shall be maintained for existing and future occupants of the Project, as determined in Landlord's reasonable opinion, (iii) the Lines therefor (including riser cables) shall be (x) appropriately insulated to prevent excessive electromagnetic fields or radiation, (y) surrounded by a protective conduit reasonably acceptable to Landlord, and (z) identified in accordance with the "Identification Requirements," as that term is set forth hereinbelow, (iv) any new or existing Lines servicing the Premises shall comply with all applicable governmental laws and regulations, (v) as a condition to permitting the installation of new Lines, Tenant shall remove existing Lines located in or serving the Premises and repair any damage in connection with such removal, and (vi) Tenant shall pay all costs in connection therewith. All Lines shall be clearly marked with adhesive plastic labels (or plastic tags attached to such Lines with wire) to show Tenant's name, suite number, telephone number and the name of the person to contact in the case of an emergency (A) every four feet (4') outside the Premises (specifically including, but not limited to, the electrical room risers and other Common Areas), and (B) at the Lines' termination point(s) (collectively, the "**Identification Requirements**"). To the extent Tenant installs Lines in accordance with the foregoing requirements, including the applicable Landlord consents and Identification Requirements, Tenant shall not be obligated to remove such Lines upon the expiration of the Lease Term, or immediately following any earlier termination of this Lease; provided, however, any non-conforming lines shall, at Tenant's sole cost and expense, be removed, with any damage caused by such removal repaired. In the event that Tenant fails to complete such required removal and/or fails to repair any damage caused by the removal of any Lines, Landlord may do so and may charge the cost thereof to Tenant. In addition, and notwithstanding anything to the contrary set forth hereinabove, Landlord reserves the right to require that Tenant promptly remove any Lines located in or serving the Premises which are installed in violation of these provisions, or which are at any time (1) are in violation of any Applicable Laws, (2) are inconsistent with then-existing industry standards (such as the standards promulgated by the National Fire Protection Association (e.g., such organization's "2002 National Electrical Code")), or (3) otherwise represent a dangerous or potentially dangerous condition.

29.34 **Hazardous Substances**.

29.34.1 **Definitions**. For purposes of this Lease, the following definitions shall apply: "**Hazardous Material(s)**" shall mean any solid, liquid or gaseous substance or material that is described or characterized as a toxic or hazardous substance, waste, material, pollutant, contaminant or infectious waste, or any matter that in certain specified quantities would be injurious to the public health or welfare, or words of similar import, in any of the "Environmental Laws," as that term is defined below, or any other words which are intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity or reproductive toxicity and includes, without limitation, asbestos, petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum products, polychlorinated biphenyls, urea formaldehyde, radon gas, nuclear or radioactive matter, medical waste, soot, vapors, fumes, acids, alkalis, chemicals, microbial matters (such as molds, fungi or other bacterial matters), biological agents and chemicals which may cause adverse health effects, including but not limited to, cancers and /or toxicity. "**Environmental Laws**" shall mean any and all federal, state, local or quasi-governmental laws (whether under common law, statute or otherwise), ordinances, decrees, codes, rulings, awards, rules, regulations or guidance or policy documents now or hereafter enacted or promulgated and as amended from time to time, in any way relating to (i) the protection of the environment, the health and safety of persons (including employees), property or the public welfare from actual or potential release, discharge, escape or

emission (whether past or present) of any Hazardous Materials or (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of any Hazardous Materials.

29.34.2 **Compliance with Environmental Laws**. Landlord covenants that the Building is being constructed in accordance with all applicable Environmental Laws and further covenants that, during the Lease Term, Landlord shall comply with all Environmental Laws in accordance with, and as required by, the TCCs of Article 24 of this Lease. Tenant represents and warrants that, except as herein set forth, it will not use, store or dispose of any Hazardous Materials in or on the Premises. However, notwithstanding the preceding sentence, Landlord agrees that Tenant may use, store and properly dispose of commonly available household cleaners and chemicals to maintain the Premises and Tenant's routine office operations (such as printer toner and copier toner) (hereinafter the "**Permitted Chemicals**"). Landlord and Tenant acknowledge that any or all of the Permitted Chemicals described in this paragraph may constitute Hazardous Materials. However, Tenant may use, store and dispose of same, provided that in doing so, Tenant fully complies with all Environmental Laws.

29.34.3 **Tenant Hazardous Materials.** Tenant will (i) obtain and maintain in full force and effect all Environmental Permits (as defined below) that may be required from time to time under any Environmental Laws applicable to Tenant or the Premises, and (ii) be and remain in compliance with all terms and conditions of all such Environmental Permits and with all other Environmental Laws. "**Environmental Permits**" means, collectively, any and all permits, consents, licenses, approvals and registrations of any nature at any time required pursuant to, or in order to comply with any Environmental Law. On or before the Lease Commencement Date and on each annual anniversary of the Commencement Date thereafter, as well as at any other time following Tenant's receipt of a reasonable request from Landlord, Tenant agrees to deliver to Landlord a list of all Hazardous Materials anticipated to be used by Tenant in the Premises and the quantities thereof. At any time following Tenant's receipt of a request from Landlord, Tenant shall promptly complete an "environmental questionnaire" using the form then-provided by Landlord. Upon the expiration or earlier termination of this Lease, Tenant agrees to promptly remove from the Premises, the Building and the Project, at its sole cost and expense, any and all Hazardous Materials, including any equipment or systems containing Hazardous Materials, which are installed, brought upon, stored, used, generated or released upon, in, under or about the Premises, the Building, and/or the Project or any portion thereof by Tenant and/or any Tenant Parties (such obligation to survive the expiration or sooner termination of this Lease). Nothing in this Lease shall impose any liability on Tenant for any Hazardous Materials in existence on the Premises, Building or Project prior to the Lease Commencement Date or brought onto the Premises, Building or Project after the Lease Commencement Date by any third parties not under Tenant's control.

29.34.4 **Landlord's Right of Environmental Audit**. Landlord may, upon reasonable notice to Tenant, be granted access to and enter the Premises no more than once annually to perform or cause to have performed an environmental inspection, site assessment or audit. Such environmental inspector or auditor may be chosen by Landlord, in its sole discretion, and be performed at Landlord's sole expense. To the extent that the report prepared upon such inspection, assessment or audit, indicates the presence of Hazardous Materials in violation of Environmental Laws, or provides recommendations or suggestions to prohibit the release, discharge, escape or emission of any Hazardous Materials at, upon, under or within the Premises, or to comply with any Environmental Laws, Tenant shall promptly, at Tenant's sole expense, comply with such recommendations or suggestions, including, but not limited to performing such additional investigative or subsurface investigations or remediation(s) as recommended by such inspector or auditor. Notwithstanding the above, if at any time, Landlord has actual notice or reasonable cause to believe that Tenant has violated, or permitted any violations of any Environmental Law, then Landlord will be entitled to perform its environmental inspection, assessment or audit at any time, notwithstanding the above mentioned annual limitation, and Tenant must reimburse Landlord for the cost or fees incurred for such as Additional Rent.

29.34.5 **Indemnifications**. . Landlord hereby represents and warrants to Tenant that, to the actual present knowledge of Landlord, without inquiry, no condition exists at the Project which is in violation of Environmental Laws. Landlord agrees to indemnify, defend, protect and hold harmless the Tenant Parties from and against any liability, obligation, damage or costs, including without limitation, attorneys' fees and costs, resulting directly or indirectly from any use, presence, removal or disposal of any Hazardous Materials to the extent such liability, obligation, damage or costs was a result of actions caused or knowingly permitted by Landlord or a Landlord

Party. Tenant agrees to indemnify, defend, protect and hold harmless the Landlord Parties from and against any liability, obligation, damage or costs, including without limitation, attorneys' fees and costs, resulting directly or indirectly from any use, presence, removal or disposal of any Hazardous Materials or breach of any provision of this section, to the extent such liability, obligation, damage or costs was a result of actions caused or permitted by Tenant or a Tenant Party.

29.35 **Development of the Project**.

29.35.1 **Subdivision**. Landlord reserves the right to further subdivide all or a portion of the Project. Tenant agrees to execute and deliver, upon demand by Landlord and in the form requested by Landlord, any additional documents needed to conform this Lease to the circumstances resulting from such subdivision.

29.35.2 **The Other Improvements**. If portions of the Project or property adjacent to the Project (collectively, the "**Other Improvements**") are owned by an entity other than Landlord, Landlord, at its option, may enter into an agreement with the owner or owners of any or all of the Other Improvements to provide (i) for reciprocal rights of access and/or use of the Project and the Other Improvements, (ii) for the common management, operation, maintenance, improvement and/or repair of all or any portion of the Project and the Other Improvements, (iii) for the allocation of a portion of the Direct Expenses to the Other Improvements and the operating expenses and taxes for the Other Improvements to the Project, and (iv) for the use or improvement of the Other Improvements and/or the Project in connection with the improvement, construction, and/or excavation of the Other Improvements and/or the Project. Notwithstanding the foregoing, Tenant shall have the right to approve any such agreement (which approval shall not be unreasonably withheld) to the extent that the same would have a material, adverse effect on Tenant's use of or access to the Premises, or increase Tenant's obligations or costs of operation at the Premises. Nothing contained herein shall be deemed or construed to limit or otherwise affect Landlord's right to convey all or any portion of the Project or any other of Landlord's rights described in this Lease.

29.35.3 **Construction of Project and Other Improvements**. Tenant acknowledges that portions of the Project and/or the Other Improvements may be under construction following Tenant's occupancy of the Premises, and that such construction may result in levels of noise, dust, obstruction of access, etc. which are in excess of that present in a fully constructed project. Tenant hereby waives any and all rent offsets or claims of constructive eviction which may arise in connection with such construction.

29.36 **Office and Communications Services**.

29.36.1 **The Provider**. Landlord has advised Tenant that certain office and communications services (which may include, without limitation, cable or satellite television service) may be offered to tenants of the Building by a concessionaire (which may or may not have exclusive rights to offer such services in the Building) under contract to Landlord ("**Provider**"). Tenant shall be permitted to contract with Provider for the provision of any or all of such services on such terms and conditions as Tenant and Provider may agree.

29.36.2 **Other Terms**. Tenant acknowledges and agrees that: (i) Landlord has made no warranty or representation to Tenant with respect to the availability of any such services, or the quality, reliability or suitability thereof; (ii) the Provider is not acting as the agent or representative of Landlord in the provision of such services, and Landlord shall have no liability or responsibility for any failure or inadequacy of such services, or any equipment or facilities used in the furnishing thereof, or any act or omission of Provider, or its agents, employees, representatives, officers or contractors; (iii) Landlord shall have no responsibility or liability for the installation, alteration, repair, maintenance, furnishing, operation, adjustment or removal of any such services, equipment or facilities; and (iv) any contract or other agreement between Tenant and Provider shall be independent of this Lease, the obligations of Tenant hereunder, and the rights of Landlord hereunder, and, without limiting the foregoing, no default or failure of Provider with respect to any such services, equipment or facilities, or under any contract or agreement relating thereto, shall have any effect on this Lease or give to Tenant any offset or defense to the full and timely performance of its obligations hereunder, or entitle Tenant to any abatement of rent or additional rent or any other payment required to be made by Tenant hereunder, or constitute any

accrual or constructive eviction of Tenant, or otherwise give rise to any other claim of any nature against Landlord.

29.37 **Water Sensors**. Tenant shall, at Tenant's sole cost and expense, be responsible for promptly installing web-enabled wireless water leak sensor devices designed to alert the Tenant on a twenty-four (24) hour seven (7) day per week basis if a water leak is occurring in the Premises (which water sensor device(s) located in the Premises shall be referred to herein as "**Water Sensors**"). The Water Sensors shall be installed in any areas in the Premises where water is utilized (such as sinks, pipes, faucets, water heaters, coffee machines, ice machines, water dispensers and water fountains), and in locations that may be designated from time to time by Landlord (the "**Sensor Areas**"). In connection with any Alterations affecting or relating to any Sensor Areas, Landlord may require Water Sensors to be installed or updated in Landlord's sole and absolute discretion. With respect to the installation of any such Water Sensors, Tenant shall obtain Landlord's prior written consent, use an experienced and qualified contractor reasonably approved by Landlord, and comply with all of the other provisions of Article 8 of this Lease. Tenant shall, at Tenant's sole cost and expense, pursuant to Article 7 of this Lease keep any Water Sensors located in the Premises (whether installed by Tenant or someone else) in good working order, repair and condition at all times during the Lease Term and comply with all of the other provisions of Article 7 of this Lease. Notwithstanding any provision to the contrary contained herein, Landlord has neither an obligation to monitor, repair or otherwise maintain the Water Sensors, nor an obligation to respond to any alerts it may receive from the Water Sensors or which may be generated from the Water Sensors. Upon the expiration of the Lease Term, or immediately following any earlier termination of this Lease, Landlord reserves the right to require Tenant to leave the Water Sensors in place together with all necessary user information such that the same may be used by a future occupant of the Premises (*e.g.*, the Water Sensors shall be unblocked and ready for use by a third-party).

29.38 **No Discrimination**. Tenant covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through Tenant, and this Lease is made and accepted upon and subject to the following conditions: that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, sex, religion, marital status, ancestry or national origin in the leasing, subleasing, transferring, use, or enjoyment of the Premises, nor shall Tenant itself, or any person claiming under or through Tenant, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants or vendees in the Premises.

29.39 **LEED Certification**. Landlord may, in Landlord's sole and absolute discretion, elect to apply to obtain or maintain a LEED certification for the Project (or portion thereof), or other applicable certification in connection with Landlord's sustainability practices for the Project (as such sustainability practices are to be determined by Landlord, in its sole and absolute discretion, from time to time). In the event that Landlord elects to pursue such an aforementioned certification, Tenant shall, at Tenant's sole cost and expense, promptly cooperate with the Landlord's efforts in connection therewith and provide Landlord with any documentation it may need in order to obtain or maintain the aforementioned certification (which cooperation may include, but shall not be limited to, Tenant complying with certain standards pertaining to the purchase of materials used in connection with any Alterations or improvements undertaken by the Tenant in the Project, the sharing of documentation pertaining to any Alterations or improvements undertaken by Tenant in the Project with Landlord, and the sharing of Tenant's billing information pertaining to trash removal and recycling related to Tenant's operations in the Project).

29.40 **Utility Billing Information**. In the event that the Tenant is permitted to contract directly for the provision of electricity, gas and/or water services to the Premises with the third-party provider thereof (all in Landlord's reasonable discretion), upon written request from Landlord, Tenant shall promptly, but in no event more than five (5) business days following its receipt of each and every invoice for such items from the applicable provider, provide Landlord with a copy of each such invoice. Tenant acknowledges that pursuant to California Public Resources Code Section 25402.10 and the regulations adopted pursuant thereto (collectively the "**Energy Disclosure Requirements**"), Landlord may be required to disclose information concerning Tenant's energy usage at the Building to certain third parties, including, without limitation, prospective purchasers, lenders and tenants of the Building (the "**Tenant Energy Use Disclosure**"). Tenant hereby (A) consents to all such Tenant Energy Use Disclosures, and (B) acknowledges that Landlord shall not be required to notify Tenant of any Tenant Energy Use

Disclosure. Further, Tenant hereby releases Landlord from any and all losses, costs, damages, expenses and liabilities relating to, arising out of and/or resulting from any Tenant Energy Use Disclosure. The terms of this Section 29.39 shall survive the expiration or earlier termination of this Lease.

29.41 **Green Cleaning/Recycling**. To the extent a "green cleaning program" and/or a recycling program is implemented by Landlord in the Building and/or Project (each in Landlord's sole and absolute discretion), Tenant shall, at Tenant's sole cost and expense, comply with the provisions of each of the foregoing programs (e.g., Tenant shall separate waste appropriately so that it can be efficiently processed by Landlord's particular recycling contractors). To the extent Tenant fails to comply with any of Landlord's recycling programs contemplated by the foregoing, Tenant shall be required to pay any contamination charges related to such non-compliance.

29.42 **Open-Ceiling Plan**. To the extent Tenant designs the Improvements with an "open ceiling plan", then Landlord and third parties leasing or otherwise using/managing or servicing space on the floor immediately above the Premises shall have the right to install, maintain, repair and replace mechanical, electrical and plumbing fixtures, devices, piping, ductwork and all other improvements through the floor above the Premises (which may penetrate through the ceiling of the Premises and be visible within the Premises during the course of construction and upon completion thereof) (as applicable, the "**Penetrating Work**"), as Landlord may determine in Landlord's reasonable discretion and after reasonable advance notice to Tenant. Tenant will have no approval rights with respect thereto, unless and to the extent such Penetrating Work would materially alter the appearance of the Premises or unreasonably interfere with Tenant's ongoing use of the Premises. Moreover, there shall be no obligation by Landlord or any such third party to enclose or otherwise screen any of such Penetrating Work from view within the Premises during the course of construction. Since Tenant is anticipated to be occupying the Premises at the time the Penetrating Work is being performed, Landlord agrees that it shall (and shall cause third parties to) use commercially reasonable efforts to perform the Penetrating Work in a manner so as to attempt to minimize interference with Tenant's use of the Premises; provided, however, at Tenant's request, such Penetrating Work shall be performed outside normal business hours. Tenant hereby acknowledges that, notwithstanding Tenant's occupancy of the Premises during the performance of any such Penetrating Work, as long as Landlord is subject to the requirements of the preceding sentence, and subject to the terms and conditions of Section 6.4 of this Lease, Tenant hereby agrees that the performance of such Penetrating Work shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of rent. Neither Landlord nor any of the Landlord Parties or any third parties performing the Penetrating Work shall be responsible for any direct or indirect injury to or interference with Tenant's business arising from the performance of such Penetrating Work (as opposed to (x) any abatement rights of Tenant under Section 6.4 of this Lease, (y) any damage to the property or injury to persons as addressed by Section 10.1 of this Lease, or (z) any insured claims otherwise available to Tenant in accordance with Article 10 of this Lease), nor shall Tenant be entitled to any compensation or damages from Landlord or any of the Landlord Parties or any third parties performing the Penetrating Work for loss of the use of the whole or any part of the Premises or of Tenant's personal property or improvements resulting from the performance of the Penetrating Work, or for any inconvenience or annoyance occasioned by the Penetrating Work. In addition, Tenant hereby agrees to promptly and diligently cooperate with Landlord and any of the third parties performing the Penetrating Work in order to facilitate the applicable party's performance of the particular Penetrating Work in an efficient and timely manner.

29.43 **Prohibited Persons; Foreign Corrupt Practices Act and Anti-Money Laundering**. Neither Tenant nor any of its affiliates, nor any of their respective members, partners or other equity holders known to Tenant, and none of their respective officers, directors or managers is, nor prior to or during the Lease Term, will they become a person or entity with whom U.S. persons or entities are restricted from doing business under (a) the Patriot Act (as defined below), (b) any other requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of the Treasury ("**OFAC**") (including any "blocked" person or entity listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and any modifications thereto or thereof or any other person or entity named on OFAC's Specially Designated Blocked Persons List) or (c) any other U.S. statute, Executive Order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action (collectively, "**Prohibited Persons**"). Prior to and during the Lease Term, Tenant, and to Tenant's knowledge, its employees and any

person acting on its behalf have at all times fully complied with, and are currently in full compliance with, the Foreign Corrupt Practices Act of 1977 and any other applicable anti-bribery or anti-corruption laws. Tenant is not entering into this Lease, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering. As used herein, "**Patriot Act**" shall mean the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) and all other statutes, orders, rules and regulations of the U.S. government and its various executive departments, agencies and offices interpreting and implementing the Patriot Act.

29.44 **Signatures**. The parties hereto consent and agree that this Lease may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (1) to the extent a party signs this Lease using electronic signature technology, by clicking "SIGN", such party is signing this Lease electronically, and (2) the electronic signatures appearing on this Lease shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

[***Signatures follow on next page***]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

"LANDLORD":

KILROY REALTY, L.P.,
a Delaware limited partnership

By:Kilroy Realty Corporation,
a Maryland corporation

Its: General Partner

By:/s/ Jeffrey C. Hawken
Name:Jeffrey C. Hawken
Its:Executive Vice President, Chief Operating Officer

By:/s/ Nelson Ackerty
Name:Nelson Ackerty
Its:Senior Vice President, San Diego

"TENANT":

ACADIA PHARMACEUTICALS INC.,
a Delaware corporation

By:/s/ Steve Davis
Name:Steve Davis
Its:President & CEO

By:/s/ Todd Young
Name:Todd Young
Its:EVP + CFO

*__NOTE:__

As Tenant is a Delaware corporation, then one of the following alternative requirements must be satisfied:

(A) This Lease must be signed by two (2) officers of such corporation: one being the chairman of the board, the president or a vice president, and the other being the secretary, an assistant secretary, the chief financial officer or an assistant treasurer. If one (1) individual is signing in two (2) of the foregoing capacities, that individual must identify the two (2) capacities.

(B) If the requirements of (A) above are not satisfied, then Tenant shall deliver to Landlord evidence in a form reasonably acceptable to Landlord that the signatory(ies) is (are) authorized to execute this Lease.

""

EXHIBIT A-1

ONE PASEO

DEPICTION OF PROJECT

The purpose of this Exhibit is to show the approximate configuration and location of certain portions of the Project. It shall not be deemed to be a warranty, representation or agreement on the part of Landlord that any portions of the Project will be, or will remain, as depicted hereon, or that the tenants shown hereon (if any) are now, or will be, in occupancy at any time during the Lease Term.

EXHIBIT A-2

DEPICTION OF BUILDING

The purpose of this Exhibit is to show the approximate configuration and location of the Building within the Office Center. It shall not be deemed to be a warranty, representation or agreement on the part of Landlord that the Building will be, or will remain, as depicted hereon, or that the tenants shown hereon (if any) are now, or will be, in occupancy at any time during the Lease Term.

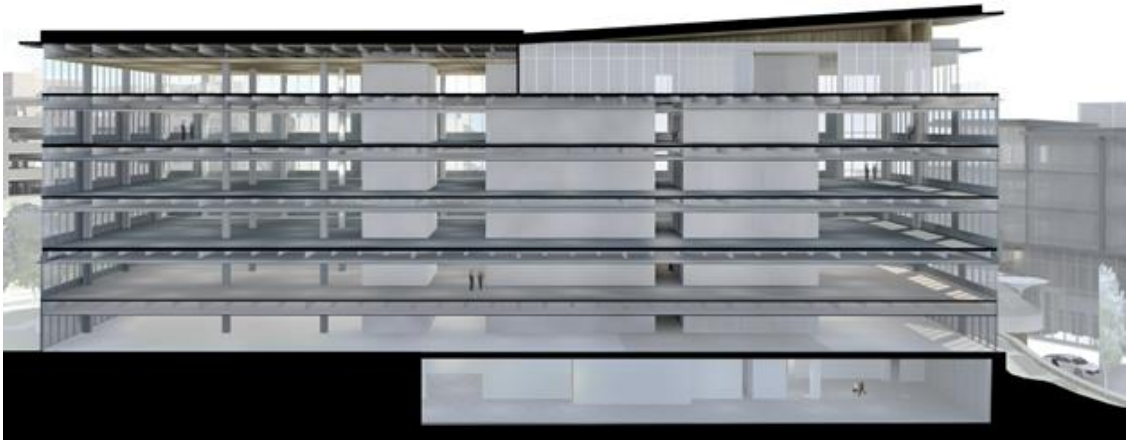
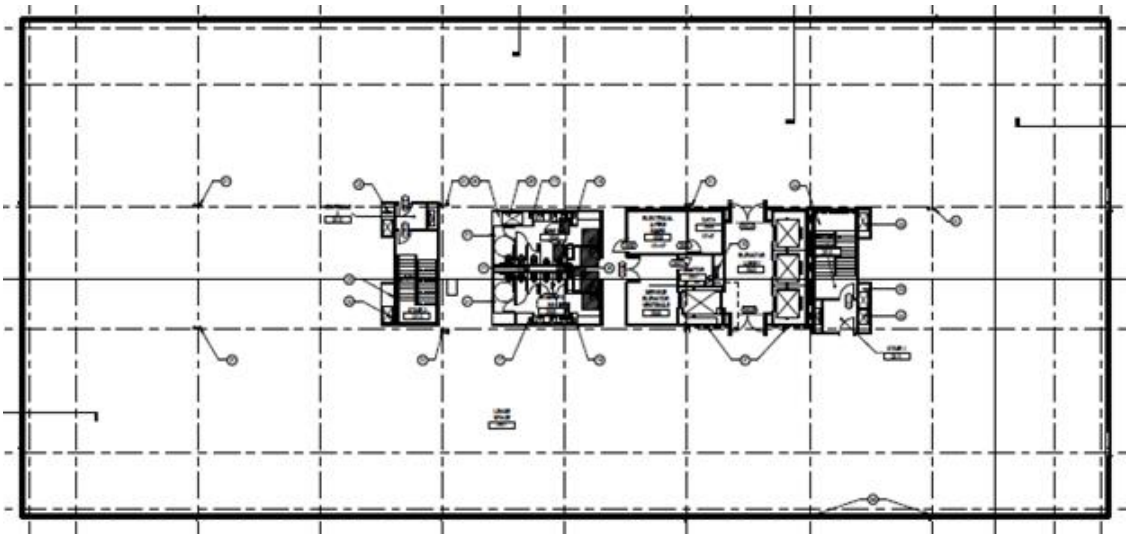


EXHIBIT A-3

OUTLINE OF PREMISES

The purpose of this Exhibit is to show the approximate configuration and location of the Premises within the Building. It shall not be deemed to be a warranty, representation or agreement on the part of Landlord that the Premises will be, or will remain, as depicted hereon, or that the tenants shown hereon (if any) are now, or will be, in occupancy at any time during the Lease Term.

Fifth Floor:



Fourth Floor:

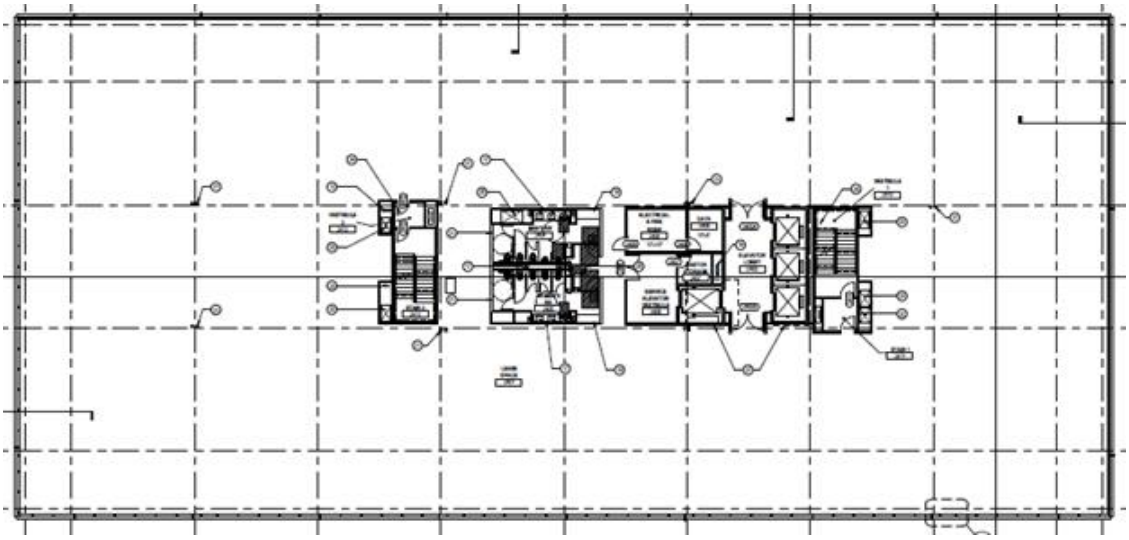


EXHIBIT B

ONE PASEO

WORK LETTER

This Work Letter shall set forth the terms and conditions relating to the construction of the Premises. This Work Letter is essentially organized chronologically and addresses the issues of the construction of the Premises, in sequence, as such issues will arise during the actual construction of the Premises. All references in this Work Letter to Articles or Sections of "this Lease" shall mean the relevant portions of Articles 1 through 29 of the Office Lease to which this Work Letter is attached as **Exhibit B** and of which this Work Letter forms a part, and all references in this Work Letter to Sections of "this Work Letter" shall mean the relevant portion of Sections 1 through 5 of this Work Letter.

SECTION 1

LANDLORD'S INITIAL CONSTRUCTION OF BASE BUILDING

1.1 **Construction of Base Building**. Landlord shall construct, at its sole cost and expense, and without deduction from the Improvement Allowance, the base, shell, and core of the Building (to the extent necessary to obtain and retain a CofO (as defined in Section 1.2 below) for the Premises for the Permitted Use) (collectively, the "Base, Shell and Core" and/or "**Base Building**")), in material conformance with the description and specifications referenced in **Schedule 2**, attached hereto (the "**Base Building Plans**"). Landlord hereby reserves the right to modify the Base Building Plans, provided that such modifications (A) are required to comply with Applicable Laws, or (B) will not (i) materially and adversely affect Tenant's permitted use of the Premises and the Project, (ii) result in the use of materials, systems or components which are not of a materially equivalent or better quality than the materials, systems and components set forth in the Base Building Plans, or (iii) materially increase the cost of the Improvements. Notwithstanding the foregoing, Landlord may make, without regard to item (B)(i), (B)(ii) or (B)(iii), above, modifications or revisions to Common Areas outside of the Buildings, except to the extent otherwise specifically addressed in the Lease.

1.2 **Final Condition**. The "**Final Condition**" shall mean that (i) the Base, Shell and Core of the Building has been substantially completed in material conformance with the Base Building Plans (as the same may be modified in accordance with the TCCs of this Work Letter) to the extent necessary for Landlord to obtain a certificate of occupancy or temporary certificate of occupancy, or legal equivalent (each, a "**CofO**"), for the Base, Shell and Core, except to the extent Landlord's inability to obtain the CofO is caused by the Improvements not being designed per Code or because the Substantial Completion of the Improvements has not yet occurred, as those terms are defined below, (ii) the Common Areas have been substantially completed in accordance with the Base Building Plans (as the same may be modified in accordance with the TCCs of this Work Letter) to the extent necessary for Landlord to obtain a CofO for the Building, with the exception of any punch list items (the "**Base Building Punch List Items**").

1.3 **Construction Milestones**. Landlord's non-binding estimated construction schedule milestones are set forth on **Schedule 3** attached hereto. For purposes of this Lease and this Work Letter, the dates listed on such construction schedule milestones shall be deemed the "**Estimated Construction Dates**" and are set forth herein for information purposes only.

1.4 **LEED Compliance**. Landlord and Tenant hereby acknowledge and agree that Landlord designed the Base Building to be compliant with certain LEED requirements. Landlord has provided Tenant with the LEED compliance checklist delineating the credits Landlord intends to obtain. Landlord agrees to reasonably cooperate with Tenant and Tenant's consultants to provide the required information, plans, specifications, documents, etc., for Tenant to obtain LEED certification with respect to the Improvements; provided, however, while Tenant is not required to cause the Premises to obtain LEED certification with respect to the Improvements, Tenant shall not design the Improvements, nor use particular systems within the Premises, that would jeopardize any LEED certification for the Building.

SECTION 2

IMPROVEMENTS

2.1 Improvement Allowance. Tenant shall be entitled to a one-time improvement allowance (the "**Improvement Allowance**") in the amount of […***…] per rentable square foot of the Premises for the costs relating to the initial design and construction of the improvements which are permanently affixed to the Premises (the "**Improvements**"). In no event shall Landlord be obligated to make disbursements pursuant to this Work Letter in the event that Tenant fails to immediately pay any portion of the "Over-Allowance Amount," as defined in Section 4.2.1, nor shall Landlord be obligated to pay a total amount which exceeds the Improvement Allowance. Notwithstanding the foregoing or any contrary provision of this Lease, all Improvements shall be deemed Landlord's property under the terms of this Lease. Any unused portion of the Improvement Allowance remaining one (1) year after of the Lease Commencement Date (the "**Allowance Deadline**"), shall remain with Landlord and Tenant shall have no further right thereto.

In addition to the Improvement Allowance, Tenant shall be entitled to a one-time additional allowance in an amount not to exceed […***…] per rentable square foot of the Premises (the "**Additional Improvement Allowance**"") to be used toward the Improvement Allowance Items. In the event that Tenant elects to use all or any portion of the Additional Improvement Allowance, Tenant shall notify Landlord thereof in writing on or before the Allowance Deadline and Tenant's notice shall include the amount of the Additional Improvement Allowance which Tenant elects to use (the "**Elected Amount Of The Additional Improvement Allowance**""). In the event Tenant timely exercises its right to use all or any portion of the Additional Improvement Allowance, then the monthly Base Rent for the Premises shall be increased by an amount equal to the "Additional Monthly Base Rent," as that term is defined below, in order to repay the Elected Amount Of The Additional Improvement Allowance to Landlord. The "**Additional Monthly Base Rent**"" shall be determined as the missing component of an annuity, which annuity shall have (i) the Elected Amount Of The Additional Improvement Allowance as the present value amount, (ii) 120, as the number of payments (with consideration given to the fact that Tenant's repayment of the Elected Amount Of The Additional Improvement Allowance will occur over a 129 month period, excluding the […***…] Base Rent Abatement Period pursuant to Section 3.2 of this Lease), (iii) 0.6667%, which is equal to eight percent (8%) divided by twelve (12) months per year, as the monthly interest factor and (iv) the Additional Monthly Base Rent as the missing component of the annuity. In the event Tenant elects to utilize all or a portion of the Additional Improvement Allowance, then (a) all references in this Work Letter to the "Improvement Allowance", shall be deemed to include the Elected Amount Of The Additional Improvement Allowance, (b) the parties shall promptly execute an amendment (the "**Amendment**"") to this Lease setting forth the new amount of the Base Rent and Improvement Allowance computed in accordance with this Section 2.1, and (c) the additional amount of monthly Base Rent owing in accordance with this Section 2.1 for the first full month of the Lease Term which occurs after the expiration of any free rent period shall be paid by Tenant to Landlord at the time of Tenant's execution of the Amendment.

2.2 Disbursement of the Improvement Allowance. Except as otherwise set forth in this Work Letter, the Improvement Allowance shall be disbursed by Landlord (each of which disbursements shall be made pursuant to Landlord's disbursement process, including, without limitation, Landlord's receipt of invoices for all costs and fees described herein) for costs related to the construction of the Improvements and for the following items and costs (collectively, the "**Improvement Allowance Items**"):

2.2.1 Payment of (i) the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Work Letter, (ii) the Tenant-retained project manager, and (iii) permitting fees, but only to the extent such fees do not exceed an aggregate amount equal to Seven and No/100 Dollars ($7.00) per rentable square foot of the Premises, and payment of the fees incurred by, and the cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.1 of this Work Letter;

2.2.2 The cost of any changes in the Base Building when such changes are required by the Construction Drawings;

2.2.3 The cost of any changes to the Construction Drawings or Improvements required by all applicable building codes (the "**Code**"); and

2.2.4 The "Landlord Supervision Fee", as that term is defined in Section 4.3.2 of this Work Letter, if any.

2.3 Building Standards. Prior to the date of this Lease, Landlord has established specifications for certain Building standard components to be used in the construction of the Improvements in the Premises and delivered a copy thereof to Tenant. The quality of Improvements shall be equal to or of greater quality than the quality of such Building standards. Landlord may make reasonably changes to said specifications for Building standards from time to time. Removal requirements for Improvements are addressed in Article 8 of this Lease, provided that Landlord, at the time Landlord reviews the Final Working Drawings, may specify that Tenant will be required to remove certain initial Improvements that materially deviate from Building standards and are not consistent with general office use (as so timely and appropriately identified, the "**Non-Conforming Improvements**"). As identified in Section 1.4, above, Tenant shall not design the Improvements nor install particular systems in the Premises that would jeopardize any LEED certifications for the Building.

SECTION 3

CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Drawings. Tenant shall select and retain a qualified architect/space planner to the extent reasonably approved by Landlord (the "**Architect**") to prepare the "Construction Drawings," as that term is defined in this Section 3.1. Tenant shall retain the engineering consultants reasonably designated by Landlord (the "**Engineers**") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing and HVAC work of the Improvements; provided, however, any such reasonable designation determination shall factor in a competitive pricing component, taking into account the nature and particular requirements implicated in connection with the Construction Drawings and the experience and competency of such Engineer. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "**Construction Drawings**." All Construction Drawings shall comply with the drawing format and specifications as determined by Landlord, and shall be subject to Landlord's approval. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base Building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Construction Drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings, and Tenant's waiver and indemnity set forth in this Lease shall specifically apply to the Construction Drawings.

3.2 Final Space Plan. On or before the date set forth in Schedule 1, attached hereto, Tenant and the Architect shall prepare the final space plan for Improvements in the Premises (collectively, the "**Final Space Plan**"), which Final Space Plan shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein, and shall deliver four (4) hard copies signed by Tenant to Landlord for Landlord's approval, and concurrently with Tenant's delivery of such hard copies, Tenant shall send to Landlord via electronic mail one (1) .pdf electronic copy of such Final Space Plan.

3.3 Final Working Drawings. On or before the date set forth in Schedule 1, Tenant, the Architect and the Engineers shall complete the architectural and engineering drawings for the Premises, and the final architectural working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits (collectively, the "**Final Working Drawings**") and shall submit four (4) hard copies signed by Tenant of the Final Working Drawings to Landlord for Landlord's approval, and concurrently with Tenant's delivery of such

hard copies, Tenant shall send to Landlord via electronic mail one (1) .pdf electronic copy of such Final Working Drawings.

3.4 Permits. The Final Working Drawings shall be approved by Landlord (the "**Approved Working Drawings**") prior to the commencement of the construction of the Improvements. Tenant shall immediately submit the Approved Working Drawings to the appropriate municipal authorities for all applicable building and other permits necessary to allow "Contractor," as that term is defined in Section 4.1, below, to commence and fully complete the construction of the Improvements (the "**Permits**"), and, in connection therewith, Tenant shall coordinate with Landlord in order to allow Landlord, at its option, to take part in all phases of the permitting process and shall supply Landlord, as soon as possible, with all plan check numbers and dates of submittal and obtain the Permits on or before the date set forth in Schedule 1. Notwithstanding anything to the contrary set forth in this Section 3.4, Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit or certificate of occupancy for the Premises and that the obtaining of the same shall be Tenant's responsibility; provided however that Landlord shall, in any event, cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permit or certificate of occupancy. No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed, provided, however, it shall be deemed reasonable for Landlord to condition its approval on Tenant's agreement that any requested changes in the Approved Working Drawings constitute a Tenant delay, as set forth in Section 5.2 below, to the extent the requested changes directly or indirectly delay the "Substantial Completion" of the Premises as that term is defined in Section 5.1 of this Work Letter.

3.5 Time Deadlines. Tenant shall use its best, good faith, efforts and all due diligence to cooperate with the Architect, the Engineers, and Landlord to complete all phases of the Construction Drawings and the permitting process and to receive the permits, and with Contractor for approval of the "Cost Proposal," as that term is defined in Section 4.2 of this Work Letter, as soon as possible after the execution of the Lease, and, in that regard, shall meet with Landlord on a scheduled basis to be determined by Landlord, to discuss Tenant's progress in connection with the same. The applicable dates for approval of items, plans and drawings as described in this Section 3, Section 4, below, and in this Work Letter are set forth and further elaborated upon in Schedule 1 (the "**Time Deadlines**"), attached hereto. Tenant agrees to comply with the Time Deadlines.

3.6 Electronic Approvals. Notwithstanding any provision to the contrary contained in the Lease or this Work Letter, Landlord may, in Landlord's sole and absolute discretion, transmit or otherwise deliver any of the approvals required under this Work Letter via electronic mail to Tenant's representative identified in Section 5.1 of this Work Letter, or by any of the other means identified in Section 29.18 of this Lease.

SECTION 4

CONSTRUCTION OF THE IMPROVEMENTS

4.1 Contractor. Tenant shall select not less than three (3) contractors from the list of "Approved Contractors", as that term is defined hereinbelow, to bid on the construction of the Improvements ("**Bidding Contractors**") Tenant shall select one of the Bidding Contractors to be the contractor for the construction of the Improvements; provided, however, Tenant shall first inform Landlord of, and review with Landlord in reasonable detail the comparison factors identified hereinbelow, 'Tenant's selection and the basis therefor, and such selected Bidding Contractor shall be referred to herein as the "**Contractor**". Tenant shall select the Contractor in consideration of the following factors: the qualified bid amount (after adjustment for inconsistent qualifications, clarifications and exclusions to reflect an "apples to apples" comparison), the completeness of the bid, contract terms and conditions and such Bidding Contractor's ability and commitment to adhere to 'the construction schedule for the Improvements. "**Approved Contractors**" shall mean any of the following: a. Bycor; Pacific Building Group (PBG); Commercial Builders Inc (CBI); Diversified Construction Technologies (DCT); Prevost; Johnson & Jennings; Whitting Turner; Burger; Crew Builders; Rudolf and Sletton; and any other contractor that Landlord and Tenant hereafter mutually and reasonably agree be added.

4.2 Cost Proposal. After the Approved Working Drawings are signed by Landlord and Tenant, Landlord shall provide Tenant with a cost proposal in accordance with the Approved Working Drawings, which cost proposal shall include, as nearly as possible, the cost of all Improvement Allowance Items to be incurred by Tenant in connection with the design and construction of the Improvements (the "**Cost Proposal**", which Cost Proposal shall include a detailed breakdown, by trade, of the final costs to be incurred (or which have been incurred), as set forth more particularly in Sections 2.2.1.1 through 2.2.1.5, above, in connection with the design and construction of the Improvements to be performed by or at the direction of Tenant or the Contractor, which costs form a basis for the amount of the Contract (the "**Final Costs**")). Tenant shall approve and deliver the Cost Proposal to Landlord within ten (10) business days of the receipt of the same, and upon receipt of the same by Landlord, Landlord shall be released by Tenant to purchase the items set forth in the Cost Proposal and Final Costs and to commence the construction relating to such items. The date by which Tenant must approve and deliver the Cost Proposal to Landlord shall be known hereafter as the "**Cost Proposal Delivery Date**".

4.3 Construction of Improvements by Contractor under the Supervision of Landlord.

4.3.1 Over-Allowance Amount. The difference between the amount of the Final Costs and the amount of the Improvement Allowance (less any portion thereof already disbursed by Landlord, or in the process of being disbursed by Landlord, on or before the commencement of construction of the Improvements) is referred to herein as the "**Over-Allowance Amount**". In the event that an Over-Allowance Amount exists in connection with the construction of the Improvements, then Tenant shall pay a percentage of each amount requested by Contractor or otherwise disbursed under this Work Letter, which percentage shall be equal to the Over-Allowance Amount divided by the amount of the Final Costs (after deducting from the Final Costs any amounts then expended from the Improvement Allowance, if any, in connection with the preparation of the Construction Drawings, and the cost of other Improvement Allowance Items incurred prior to the commencement of construction of the Improvements) and such payments by Tenant (the "**Over-Allowance Payments**") shall be a condition to Landlord's obligation to pay any amounts from the Tenant Improvement Allowance. In the event that, after the Final Costs have been delivered by Tenant to Landlord, the costs relating to the design and construction of the Improvements shall change, any additional costs necessary to such design and construction in excess of the Final Costs, shall be in accordance with the terms of the immediately preceding sentence and the amounts to be disbursed by Landlord pursuant to the terms of this Work Letter thereafter shall be accordingly adjusted so that Landlord's disbursements in the aggregate pursuant to the terms of this Work Letter and Tenant's Over-Allowance Payments are each proportionate to the adjusted Final Costs. In connection with any Over-Allowance Payment made by Tenant pursuant to this Section 4.2.1, Tenant shall provide Landlord with the documents described in Sections 2.2.2.1(i), (ii), (iii) and (iv) of this Work Letter, above, for Landlord's approval, prior to Tenant paying such costs. In addition, if the Final Working Drawings or any amendment thereof or supplement thereto shall require alterations in the Base Building (as contrasted with the Improvements), and if Landlord in its sole and exclusive discretion agrees to any such alterations, and notifies Tenant of the need and cost for such alterations, then Tenant shall pay the cost of such required changes (the "**Change-Order**") in advance upon receipt of notice thereof. Tenant shall pay all direct architectural and/or engineering fees in connection with such Change-Order, plus seven percent (7%) of such direct architectural and/or engineering fees for Landlord's servicing and overhead.

4.3.2 Landlord's Retention of Contractor. Landlord shall independently retain Contractor to construct the Improvements in accordance with the Approved Working Drawings and the Cost Proposal and Landlord shall supervise the construction by Contractor, and Tenant shall pay a construction supervision and management fee (the "**Landlord Supervision Fee**") to Landlord in an amount equal to the product of (i) three percent (3%) and (ii) an amount equal to the sum of the Improvement Allowance and any Additional Improvement Allowance.

4.3.3 Contractor's Warranties and Guaranties. Landlord hereby assigns to Tenant all warranties and guaranties by Contractor relating to the Improvements, and Tenant hereby waives, upon Substantial Completion of the Premises, all claims against Landlord relating to, or arising out of the construction of, the Improvements, other than any punch list items as set forth in Section 1.1.1 of this Lease.

4.3.4 Tenant's Covenants. Tenant hereby indemnifies Landlord for any loss, claims, damages or delays arising from the actions of Architect on the Premises or in the Building.

Within fifteen (15) days after completion of construction of the Improvements, Tenant shall cause Contractor and Architect to cause a Notice of Completion to be recorded in the office of the County Recorder of the county in which the Building is located in accordance with Section 8182 of the Civil Code of the State of California or any successor statute and furnish a copy thereof to Landlord upon recordation, failing which, Landlord may itself execute and file the same as Tenant's agent for such purpose. In addition, immediately after the Substantial Completion of the Premises, Tenant shall have prepared and delivered to the Building a copy of the "as built" plans and specifications (including all working drawings) for the Improvements.

SECTION 5

COMPLETION OF THE IMPROVEMENTS;
LEASE COMMENCEMENT DATE

5.1 Ready for Occupancy. The Premises shall be deemed "**Ready for Occupancy**" upon the Substantial Completion of the Improvements. For purposes of this Lease, "**Substantial Completion**" of the Improvements shall occur upon the completion of construction of the Improvements in the Premises pursuant to the Approved Working Drawings and issuance of a certificate of occupancy, a temporary certificate of occupancy for the Premises, or the legal equivalent thereof permitting Tenant's lawful occupancy of the Premises, with the exception of any punch list items and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant or under the supervision of Contractor.

5.2 Delay of the Substantial Completion of the Premises. Except as provided in this Section 5.2, the Lease Commencement Date shall occur as set forth in the Lease and Section 5.1, above. If there shall be a delay or there are delays in the Substantial Completion of the Improvements or in the occurrence of any of the other conditions precedent to the Lease Commencement Date, as set forth in the Lease, as a direct, indirect, partial, or total result of:

5.2.1 Tenant's failure to comply with the Time Deadlines;

5.2.2 Tenant's failure to timely approve any matter requiring Tenant's approval;

5.2.3 A breach by Tenant of the terms of this Work Letter or the Lease;

5.2.4 Changes in any of the Construction Drawings after disapproval of the same by Landlord or because the same do not comply with Code or other applicable laws;

5.2.5 Tenant's request for changes in the Approved Working Drawings;

5.2.6 Tenant's requirement for specialty materials, components, finishes or improvements which are not available in a commercially reasonable time given the anticipated date of Substantial Completion of the Improvements, as set forth in the Lease, or which are different from, or not included in Landlord's Building standards;

5.2.7 Changes to the Base Building required by the Approved Working Drawings;

5.2.8 Tenant's use of specialized or unusual improvements and/or delays in obtaining Permits due thereto;

5.2.9 Any failure by Tenant to timely pay to Landlord any portion of the Over-Allowance Amount; or

5.2.10 Any other acts or omissions of Tenant, or its agents, or employees; then, notwithstanding anything to the contrary set forth in the Lease or this Work Letter and regardless of the actual date of the Substantial Completion of the Improvements, the Lease Commencement Date shall be deemed to be the date the Lease Commencement Date would have occurred if no Tenant delay or delays, as set forth above, had occurred.

SECTION 6

MISCELLANEOUS

6.1 Freight Elevators and Parking. Landlord shall, consistent with its obligations to other tenants of the Building, make the freight elevator and parking reasonably available to Tenant in connection with construction of the Improvements and decorating, furnishing and moving into the Premises at no additional cost.

6.2 Tenant's Representative. Tenant has designated Lynne Buhlas its sole representative with respect to the matters set forth in this Work Letter (whose e-mail address for the purposes of this Work Letter is lbuhl@ACADIA-pharm.com, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

6.3 Landlord's Representatives. Landlord has designated Mr. Robert Chambers as "**Project Manager**" (whose e-mail address for the purposes of this Work Letter is […***…]), who shall be responsible for the implementation of all Improvements to be performed by Landlord in the Premises. With regard to all matters involving such Improvements, Tenant shall communicate with the Project Managers rather than with the Contractor. Landlord shall not be responsible for any statement, representation or agreement made between Tenant and the Contractor or any subcontractor. It is hereby expressly acknowledged by Tenant that such Contractor is not Landlord's agent and has no authority whatsoever to enter into agreements on Landlord's behalf or otherwise bind Landlord. The Project Managers will furnish Tenant with notices of substantial completion, cost estimates for above standard Improvements, Landlord's approvals or disapprovals of all documents to be prepared by Tenant pursuant to this Work Letter and changes thereto.

6.4 Tenant's Agents. All subcontractors and laborers retained directly by Tenant for the Improvements shall all be union labor in compliance with the then existing master labor agreements, if any.

6.5 Time is of the Essence. Time is of the essence under this Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. In all instances where Tenant is required to approve or deliver an item, if no written notice of approval is given or the item is not delivered within the stated time period, at Landlord's sole option, at the end of such period the item shall automatically be deemed approved or delivered by Tenant and the next succeeding time period shall commence.

6.6 Tenant's Lease Default. Notwithstanding any provision to the contrary contained in the Lease or this Work Letter, if any default by Tenant under the Lease or this Work Letter (including, without limitation, any failure by Tenant to fund any portion of the Over-Allowance Amount) occurs at any time on or before the Substantial Completion of the Improvements, then (i) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold payment of all or any portion of the Improvement Allowance and/or Landlord may, without any liability whatsoever, cause the cessation of construction of the Improvements (in which case, Tenant shall be responsible for any delay in the Substantial Completion of the Improvements and any costs occasioned thereby), and (ii) all other obligations of Landlord under the terms of the Lease and this Work Letter shall be forgiven until such time as such default is cured pursuant to the terms of this Lease.

SCHEDULE 1

TIME DEADLINES

Dates	Actions to be Performed
A. August 1, 2019	Final Space Plan to be completed by Tenant and delivered to Landlord.
B. November 1, 2019	Tenant to deliver Final Working Drawings to Landlord.
C. January 1, 2020	Tenant to deliver Permits to Contractor.
D. Five (5) business days after the receipt of the Cost Proposal by Tenant	Tenant to approve Cost Proposal and deliver Cost Proposal to Landlord.

SCHEDULE 2

BASE BUILDING PLANS

General Description

Owner intends to develop and construct a Class A mixed use campus project including an above and below ground office parking structure and two Class A commercial office buildings. The parking garage will consist of one level of below grade and seven levels of above grade parking containing approximately 946 parking spaces. The Class A Commercial office building 2 shall contain approximately 231,561 sf. and is anticipated to be to be Type I-B, Fully-Sprinklered. The list of construction drawings for the Building is attached to and made a part of this **Schedule 2** and the applicable portions of such construction drawings for the Building shall be made available to Tenant and its architects, engineers, and contractors as reasonably required for the design and subsequent construction of the Improvements.

Landlord, at its sole cost and expense, shall improve the Base Building to a typical shell and core office building finish. The Building shell and core ("Building Shell & Core" or "Base, Shell and Core") shall include the following:

LEED Classification

The building is pursuing a LEED Core & Shell Gold certification under LEED v3.

Structural Components

Codes, Applicable Specifications and Standards

- The governing building code is the California Building Code (CBC), 2016 edition.
- ASCE/SEI 7-10: Minimum Design Loads for Buildings and Other Structures.
- Structural Steel: Load and Resistance Factor Design Specification for Structural Steel
- Buildings, 14th Edition, American Institute of Steel Construction (AISC 360-10).
- Seismic Design Manual, 2nd Edition, American Institute of Steel Construction.
- Seismic Provisions for Structural Steel Buildings AISC 341-10 AISC 341-10.
- Prequalified Connections for Special and Intermediate Steel Moment Frames for
- Seismic Applications AISC 358-10 and AISC 358s1-11.
- AISC/CISC, Floor Vibrations Due to Human Activity, Steel Design Guide Series 11.
- RCSC Specification: The 2009 RCSC Specification for Structural Joints Using High-Strength Bolts.
- AWS D1.1: Structural Welding Code – Steel, AWS D1.1:2010 (AWS, 2010).
- ACI Building Code and Commentary (ACI 318-2014).
- ACI 530-13/ASCE 5-13/TMS 402-13, Building Code Requirements for Masonry Structures.

The floor loading criteria is as follows:

Live Loads:

- Typical Office 100 psf (reducible)
- Exit Corridors 100 psf (reducible)
- Exit Stairs 100 psf (non-reducible)
- Roof 20 psf (reducible, unoccupied)
- 100 psf (non-reducible, occupied)
- MEP Equipment Room 150 psf (non-reducible) or actual
- Equipment weight and pad.
- Heavy Storage/File Room 250 psf (non-reducible)
- Lobby/Public Assembly 100 psf (non-reducible)

Dead Loads:

- General: Includes estimated weight of construction material

- Roof: Includes estimated weight of construction material and actual weight of roof mounted miscellaneous equipment.

Deflections/Serviceability

The structural framing members and system will be designed to have adequate stiffness to limit the deflections and lateral drift in conformance to requirements of section 1604.3 of the 2016 CBC and ASCE/SEI 7-10: Minimum Design Loads for Buildings and Other Structures.

Structural Building Description

General
The office building 2 structure extends six (6) stories above Level 1. Typical floor to floor height between Level 1 to Roof is 14'-6". The Level 2 to roof typical floor to floor height is 14'-6". The building longitudinal dimension is 265'-0" and the transverse dimension is 118'-0". From three (3) sides office building 2 is surrounded with podium structure, with 6inch seismic separation joint. In addition, from one (1) side office building 2 is surrounded with the site retaining wall with 6inch seismic separation joint. For the plan work and building section information please refer to architectural and structural drawings.

The composite structural deck system consists of 3" metal deck and 3.25" light weight concrete (total slab thickness is 6.25") with ¾" shear studs spaced at 12" o.c. max., connected to wide flange beams and girders. Composite deck is supported by steel beams and girders spanning between steel columns. The columns are supported on pad foundations.

The lateral bracing system consists of Steel Special Moment Frames along the perimeter of the building.

Please refer to the attached typical floor plan for structural framing configuration and structural design information.

Concrete floor and slab flatness and levelness shall meet or exceed ASTM E 115 and are not to exceed 1/8" variance in 10'-0"

Roofing System

The roofs of Office Buildings 1 & 2 implement the following primary materials:

- Single-ply (80 MIL) thermoplastic polyvinyl chloride membrane (Johns Manville JM PVC-80 MIL MIN, or equal), over;
- One (1) layer 5/8" roof board (Georgia Pacific DensDeck Prime, or equal), over;
- Two (2) layers of 2.6" thick polyiso rigid insulation (GAF EnergyGuard, 25PSI, or equal), achieving an LTTR insulative value of 30 or better, over;
- One (1) layer 1/4" roof board (Georgia Pacific DensDeck Prime, or equal), over;
- Cast-in-place concrete o/ structural metal OR over structural metal deck only

Roofing system shall meet the requirements of FM Listing 1A-90, with an exterior fire resistance exposure of Class A.

The roofing system shall provide an initial Solar Reflectance Index of not less than 78 when calculated according to ASTM E 1980 and an initial Thermal Emittance of not less than 0.85.

Roofing walk pads shall provide a runway surface for the buildings window washing equipment and walk paths around the roofs perimeter and egress pathways.

Exterior Wall

The exterior closure (weather closure) of Office Buildings 1 & 2 implement the following primary materials:

• Extruded aluminum curtainwall & storefront systems
• Various combinations of high-performance, insulated glazing (both vision & spandrel)
• Aluminum panels & break-shapes with two-coat Kynar finishes
• Wood composite cladding
• Factory-finished, shaped metal panels at the rooftop mechanical screen enclosures

Exterior Terraces

The building includes accessible terraces in a number of locations, which will be accessed from the tenant spaces via glass doors. Guardrails will be provided at each terrace. Furnishing of the terraces will be part of the Tenant Improvement scope and will be required to conform to the Landlord's site amenities standards.

Ground Floor Lobbies and Entries

Fully built out class A.

Men's and Women's Toilet Rooms

The men's and women's restrooms on each floor are complete and in substantial compliance with ADA requirements and include solid surface countertops, partial ceramic tile walls and ceramic tile floors, lavatory mirrors, lighting in ceilings, toilet partitions and associated toilet room accessories.

Low consumption water closets are equipped with automatic flush valves. Waterless Urinals are included in the Men's restrooms.

The number of fixtures in each Restroom is based on the square footage of the corresponding floor in accordance with the applicable code as adopted by the City of Los Angeles.

Exit Stair Towers

The building is served by two pressurized emergency stair towers located on each floor with concrete filled metal pan stairs. Stairwells shall include all code required lighting, exit hardware and required handrails. The doors from the stair towers into the individual floors shall be prepped for future full floor Tenant provided card readers and electrified hardware. Full floor Tenants will be required to connect these devices to their own security system upon lease commencement.

Elevators/Elevator Lobby

There are two (2) passenger elevators and one (1) passenger-service (swing) elevator serving the building. All elevators shall service every floor of the building including travel to all parking levels of the subterranean parking structure. Each individual car shall be provisioned with card readers for access control and digital position indicators and display.

Passenger elevators have a load capacity of 3,500 pounds, and shall comply with ADA requirements.

Passenger-swing elevator shall have a load capacity of 4,500 pounds and shall comply with ADA requirements.

Each elevator includes elevator doors, frames, call buttons with faceplates and hall lantern directional indicators.

The elevator lobbies of Floors 2-6 are in raw shell condition with Fire Life Safety devices and temporary egress lighting as required by code.

Balance of Core

Interior core walls are drywall fire taped and ready for finish to be installed as a part of the Tenant Improvements. Columns and underside of the overhead structure will be exposed concrete. Further finishing will be part of the tenant improvements. At the perimeter exterior wall condition,

spandrel glass areas will have the insulation installed as part of the shell and have receivers for installation of finishes as part of the tenant improvements.

All exposed core doors are paint grade wood doors complete with hollow metal frames and hardware in a satin chrome finish.

The core and shell condition shall include exit signs and fire extinguishers as required by applicable laws.

Electrical Service and Distribution Systems

Codes, Standards and Regulations

- The building shall comply with the requirements of the latest adopted editions of the International Building Code (IBC), the National Electrical Code (NEC), City of San Diego requirements, and the International Fire Code.

- The design, products, and installation shall comply with the following electrical industry standards:

a. Electronic Industries Association (EIA) Standard 570

b. Illumination Engineering Society of North America (IES) Lighting Standards

c. Institute of Electrical and Electronic Engineers (IEEE) Standards

d. National Electrical Manufacturers' Association (NEMA)

e. Insulated Power Cable Engineers' Association (IPCEA)

f. Certified Ballast Manufacturers' Association (CBMA)

g. Underwriters Laboratories, Inc. (UL)

h. California Administrative Code, Title 24, Part 6

i. National Fire Protection Association (NFPA)

j. National Electrical Code (NEC)

k. American National Standards Institute (ANSI)

l. All other Authorities Having Jurisdiction (AHJ)

Power Service Entrance

- Building 2 shall be furnished with (2) 2500A 480Y/277V 3PH 4W 65kAIC NEMA 1 electrical services fed from an adjacent SDG&E pad-mounted transformer. The house service shall have a single house meter to support all house loads. The tenant service shall have a bus riser system for individual tenant meters on each floor.

Power Distribution

- All feeder and branch circuit wiring in interior exposed spaces shall be Type THHN copper conductors in EMT conduit. Type MC cable may be used in concealed locations (within walls and above accessible ceilings) for final equipment connections.

- HVAC equipment, elevators, and miscellaneous motor loads shall be served independently from building power and lighting panelboards.

- Convenience power will be provided with a minimum of two receptacles per office, including switched receptacles in compliance with Title 24 requirements.

- HVAC equipment shall be circuited at 480V 3-PH where possible.

- Power branch circuits shall be supplied from new panelboards.

Emergency Power

- Emergency generator shall be provided as part of the core and shell scope.
- The generator shall be 500kW/625kVA 480Y/277V 3PH 4W NEMA 3R with a sub-base fuel tank providing 8-hours of runtime.

Telephone Services

The project MPOE shall contain a variety of twisted copper phone lines, high band width fiber and cable T.V. infrastructure for the Tenants use.

Tenant's telephone and communication equipment shall be located in Tenant's leased space and the Landlord shall deliver a mutually agreed upon sufficient number of reserved phone lines for the Tenant's use to the Tenant's specified location within the demised premises. Cross connection between the Tenant's phone lines and the Landlords D-Mark shall be provided by the Landlord's vendor at the Tenant's sole cost and expense.

Local service can provide POTS lines, DSL, ISDN, T-1 and DS3 services to the building. They can also provide Gigabit solution if ordered.

DTV Riser Platform

The building shall be equipped with a DTV riser platform ready for connection to future Tenants via a riser structure and patch panels located at every third floor.

Window Coverings

Window coverings as designated by the Landlord's Building Standard shall be a Tenant Improvement Allowance Item.

Lighting

Interior lighting
- LED exit lighting shall be provided throughout the facility roughly every 50 feet on the path of egress as defined by the Architect and at each exit door.
- All fixtures shall be LED and dimmable.
- The lighting control system shall be capable of accepting demand response controls.
- All fixtures in the primary and secondary daylight zones shall be independently controlled via daylight sensors.
- All lighting shall be designed to meet the latest California Title 24 requirements.

Exterior lighting
- Decorative entry and plaza lighting shall be provided and circuited to each building as appropriate.

Lighting control
- Lighting control system shall be designed based upon the distributed control architecture of the WattStopper DLM system.

Emergency Lighting
- Egress lighting shall be provided as required by code.
- The code required emergency power source for the egress fixtures shall be supplied via a central lighting inverter for Building 1 and via the emergency generator for Building 2.

Life Safety System

The life safety system is installed and completed in accordance with applicable building codes for a shell condition. An Addressable Fire Alarm System with Digital Voice Evacuation Capability includes required smoke detectors, evacuation speakers and strobes installed in compliance with ADA, Title 24, and City of San Diego Fire Marshal requirements for core and shell condition. The

floors shall be equipped with terminal cabinets for future tenant improvements. All tenant improvement connections to the base system shall be a future Tenant Improvement Item.

Landlord will be assigning a proprietary vendor for the Fire Life Safety systems for use by the tenant.

HVAC and Mechanical Equipment

The building primary HVAC systems shall be composed of an array of Variable Refrigeration Flow (VRF) Split Systems with Landlord supplied condenser units located on the roof and Tenant supplied Concealed Fan Coil Units distributed through out the premises as required by the Tenant specific improvements.

All VRF systems shall be manufactured by LG or a Landlord approved equal.

The HVAC system allows for one Concealed Fan Coil Units for every 400 square feet of premises space. The Heat Recovery Units (HRUs) will be part of the future tenant improvements and will be sized according to the tenant unit size. Concealed Fan Units are to be installed as a part of the future Tenant Improvements and will connect to the buildings installed energy management system.

The outdoor **Air Cooled Compressor Condenser Heat Recovery Unit.** The outdoor unit shall be factory assembled and pre-wired with all necessary electronic and refrigerant controls. The refrigeration circuit of the condensing unit shall consist of scroll compressors, motors, fans, condenser coil, electronic expansion valves, solenoid valves, 4-way valve, distribution headers, capillaries, filters, shut off valves, oil separators, service ports and refrigerant regulator. High pressure gas line, low pressure gas line and liquid lines must be individually insulated between the outdoor and indoor units.

The following safety devices shall be included on the condensing unit; high pressure switch, control circuit fuses, crankcase heaters, fusible plug, high pressure
switch, overload relay, inverter overload protector, thermal protectors for compressor and fan motors, over current protection for the inverter and anti-recycling timers. To ensure the liquid refrigerant does not flash when supplying to the various fan coil units, the circuit shall be provided with a sub-cooling feature.

The unit shall incorporate an auto-charging feature and a refrigerant charge check function. The outdoor unit shall be completely weatherproof and corrosion resistant and constructed from rust-proofed mild steel coated panels.

Heat Recovery Units (HRU's) are designed specifically for use with LG Multi V 4 series heat recovery system components and shall be factory assembled, wired, and
piped. These selector boxes must be mounted indoors. These units shall have a galvanized steel plate casing. Each cabinet shall house solenoid valves for
refrigerant control. And shall contain a tube in tube heat exchanger. The unit shall have sound absorption thermal insulation material made of flame and heat resistant foamed
polyethylene.

Concealed Fan Units (CFU's) shall be LG Multi V horizontal model BHA2, BGA2, BRA2 or B8A2 concealed fan coils units or TQC2, TRC2, TPC2, TNC2 or TMC2 ceiling cassette fan coils unit operable with R-410A refrigerant. Unit shall be completely factory assembled and tested. Included in the unit is factory wiring, piping, electronic expansion valve, control circuit board, fan motor thermal protector, flare connections, condensate drain pan, self-diagnostics, auto-restart function, 3-minute fused time delay, and test run switch. BHA2, BGA2, BRA2 or B8A2 units shall be equipment with automatically adjusting external static pressure logic selectable during commissioning.

The CFU shall be direct-drive DC (ECM) type fan, statically and dynamically balanced impeller with two or three fan speeds available. Units shall have automatically adjusting external static pressure logic selectable during commissioning. The fan motor shall operate on 208/230 volts, 1 phase, 60 Hertz. The fan motor shall be thermally protected and shall be equipped as standard with adjustable external static pressure (ESP) settings. A separate power supply will be required of 208/230 volts, 1 phase, 60 Hertz. The acceptable voltage range shall be 187 to 253 volts.

The CFU shall have controls provided by LG to perform input functions necessary to operate the system. Computerized PID control shall be used to maintain room temperature within 1 degree F. The unit shall be equipped with a programmed drying mechanism that dehumidifies while inhibiting changes in room temperature when used with LG remote control PREMTB10U.

LG Touch Screen Central Controller (AC Smart Premium), Centralized Controller shall be provided to allow operation of entire system and individual zones from a central controller and through the web via Ethernet connection.

The controller system shall be a neutral color plastic material and shall include a minimum 10.2 inch WSVGA TFT LCD Touch Screen. 18 gauge, 2 conductor, twisted and shielded communication wire shall be daisy chained from the master condenser of each to the AC Smart Premium. Up to 128 fan coils can be controlled by each AC Smart Premium.

Landlord has assigned a proprietary vendor for Additional Mechanical Direct Digital Controls.

Future Tenant Plumbing Systems

Individual floors have been prepped for future plumbing systems with the following accommodations.

- 1" Valved Domestic Water stub ins for future sinks and tank type water closets
- 2" Capped Vent Riser stub ins.
- 4" Capped Waste Riser stub ins.

Sprinklers

Manual Wet-Type, Class I Standpipe System including hose connections.

All work shall be installed in accordance with the 2016 Edition of NFPA 13 as modified by 2016 CBC Chapter 35 and City of San Diego Technical Bulletins. The standpipe systems are required to comply with the 2013 Edition of NFPA 14 as modified by CBC Chapter 35.

Sprinkler system shall be sized and spaced in accordance with 2016 edition of NFPA 13 with California Amendments.

The fire sprinkler system includes main floor shut-off valves, water flow alarms, heads and primary loop piping distribution for a core and shell condition.

Modifications to the base system shall be a Tenant Improvement Item.

Ventilation

The public restrooms are ventilated by exhaust fans located on the roof of the building.

Access to a base building General Exhaust riser shall be provided at each floor to facilitate exhausting of tenant spaces requiring direct exhaust.

END OF DOCUMENT

SCHEDULE 3

CONSTRUCTION MILESTONES

August 2018	Building Permits
August 2019	Parking Structure Main Electrical Room Energized
November 2019	Building 2 Main Electrical Room Energized
December 2019	Parking Structure Substantial Completion
December 2019	Building 1 Main Electrical Room energized
January 2020	Parking Structure Final Completion
April 2020	Building 1 Substantial Completion
May 2020	Building 2 Substantial Completion
May 2020	Building 1 Final Completion
May 2020	Building 2 Final Completion
May 2020	Project Completion

EXHIBIT C

ONE PASEO

NOTICE OF LEASE TERM DATES

To: _____
_____
_____
_____

Re: Office Lease dated _____, 20__ (the "**Lease**"), by and between _____, a _____ ("**Landlord**"), and _____, a _____ ("**Tenant**"), for **[**approximately**]** _____ rentable square feet of space commonly known as Suite _____ (the "**Premises**"), located on the _____ (___) floor of that certain office building located at _____, _____, _____ (the "**Building**").

Dear _____:

Notwithstanding any provision to the contrary contained in the Lease, this letter is to confirm and agree upon the following:

1. Tenant has accepted the above-referenced Premises as being delivered in accordance with the Lease, and there is no deficiency in construction.

2. The Lease Term shall commence on or has commenced on _____ for a term of _____ ending on _____.

3. Rent commenced to accrue on _____, in the amount of _____.

4. If the Lease Commencement Date is other than the first day of the month, the first billing will contain a pro rata adjustment. Each billing thereafter shall be for the full amount of the monthly installment as provided for in the Lease.

5. Your rent checks should be made payable to _____ at _____.

6. The rentable and usable square feet of the Premises are _____ and _____, respectively.

7. Tenant's Share of Direct Expenses with respect to the Premises is _____% of the Project.

8. Capitalized terms used herein that are defined in the Lease shall have the same meaning when used herein. Tenant confirms that the Lease has not been modified or altered except as set forth herein, and the Lease is in full force and effect. Landlord and Tenant acknowledge and agree that to each party's actual knowledge, neither party is in default or violation of any covenant, provision, obligation, agreement or condition in the Lease.

If the provisions of this letter correctly set forth our understanding, please so acknowledge by signing at the place provided below on the enclosed copy of this letter and returning the same to Landlord.

The parties hereto consent and agree that this letter may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (1) to the extent a party signs this letter using electronic signature technology, by clicking "SIGN", such party is signing this letter electronically,

and (2) the electronic signatures appearing on this letter shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

"**Landlord**":

,
a

By:
Name:
Its:

By:
Name:
Its:

Agreed to and Accepted
as of _____, 20__.

"**Tenant**":

,
a

By:

Name:

Its:

By:

Name:

Its:

EXHIBIT D

ONE PASEO

RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following Rules and Regulations. Landlord shall not be responsible to Tenant for the nonperformance of any of said Rules and Regulations by or otherwise with respect to the acts or omissions of any other tenants or occupants of the Project. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. Tenant shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior written consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant. Two keys will be furnished by Landlord for the Premises, and any additional keys required by Tenant must be obtained from Landlord at a reasonable cost to be established by Landlord. Upon the termination of this Lease, Tenant shall restore to Landlord all keys of stores, offices, and toilet rooms, either furnished to, or otherwise procured by, Tenant and in the event of the loss of keys so furnished, Tenant shall pay to Landlord the cost of replacing same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such changes.

2. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises.

3. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building during such hours as are customary for comparable buildings in the San Diego, California area. Tenant, its employees and agents must be sure that the doors to the Building are securely closed and locked when leaving the Premises if it is after the normal hours of business for the Building. Any tenant, its employees, agents or any other persons entering or leaving the Building at any time when it is so locked, or any time when it is considered to be after normal business hours for the Building, may be required to sign the Building register. Access to the Building may be refused unless the person seeking access has proper identification or has a previously arranged pass for access to the Building. Landlord will furnish passes to persons for whom Tenant requests same in writing. Tenant shall be responsible for all persons for whom Tenant requests passes and shall be liable to Landlord for all acts of such persons. The Landlord and his agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building or the Project during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

4. No furniture, freight or equipment of any kind shall be brought into the Building without prior notice to Landlord. All moving activity into or out of the Building shall be scheduled with Landlord and done only at such time and in such manner as Landlord designates. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy property brought into the Building and also the times and manner of moving the same in and out of the Building. Safes and other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property in any case. Any damage to any part of the Building, its contents, occupants or visitors by moving or maintaining any such safe or other property shall be the sole responsibility and expense of Tenant.

5. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours, in such specific elevator and by such personnel as shall be designated by Landlord.

6. The requirements of Tenant will be attended to only upon application at the management office for the Project or at such office location designated by Landlord. Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from Landlord.

7. No sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on any part of the Premises or the Building without the prior written consent of the Landlord. Tenant shall not disturb, solicit, peddle, or canvass any occupant of the Project and shall cooperate with Landlord and its agents of Landlord to prevent same.

8. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose servants, employees, agents, visitors or licensees shall have caused same.

9. Tenant shall not overload the floor of the Premises, nor mark, drive nails or screws, or drill into the partitions, woodwork or drywall or in any way deface the Premises or any part thereof without Landlord's prior written consent. Tenant shall not purchase spring water, ice, towel, linen, maintenance or other like services from any person or persons not approved by Landlord.

10. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine or machines other than fractional horsepower office machines shall be installed, maintained or operated upon the Premises without the written consent of Landlord.

11. Tenant shall not use or keep in or on the Premises, the Building, or the Project any kerosene, gasoline, explosive material, corrosive material, material capable of emitting toxic fumes, or other inflammable or combustible fluid chemical, substitute or material. Tenant shall provide material safety data sheets for any hazardous material or substance used or kept on the Premises.

12. Tenant shall not without the prior written consent of Landlord use any method of heating or air conditioning other than that supplied by Landlord.

13. Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Project by reason of noise, odors, or vibrations, or interfere with other tenants or those having business therein, whether by the use of any musical instrument, radio, phonograph, or in any other way. Tenant shall not throw anything out of doors, windows or skylights or down passageways.

14. Tenant shall not bring into or keep within the Project, the Building or the Premises any firearms, animals, birds, aquariums, or, except in areas designated by Landlord, bicycles or other vehicles.

15. No cooking shall be done or permitted on the Premises, nor shall the Premises be used for the storage of merchandise, for lodging or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' laboratory-approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and visitors, provided that such use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

16. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the use of the Premises provided for in the Summary. Tenant shall not occupy or permit any portion of the Premises to be occupied as an office for a messenger-type operation or dispatch office, public stenographer or typist, or for the manufacture or sale of liquor, narcotics, or tobacco in any form, or as a medical office, or as a barber or manicure shop, or as an employment bureau without the express prior written consent of Landlord. Tenant shall not engage or pay any employees on the Premises except those actually working for such tenant on the Premises nor advertise for laborers giving an address at the Premises.

17. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.

18. Tenant, its employees and agents shall not loiter in or on the entrances, corridors, sidewalks, lobbies, courts, halls, stairways, elevators, vestibules or any Common Areas for the

purpose of smoking tobacco products or for any other purpose, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Premises.

19. Tenant shall not waste electricity, water or air conditioning and agrees to cooperate fully with Landlord to ensure the most effective operation of the Building's heating and air conditioning system, and shall refrain from attempting to adjust any controls. Tenant shall participate in recycling programs undertaken by Landlord.

20. Tenant shall store all its trash and garbage within the interior of the Premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in San Diego, California without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entry-ways and elevators provided for such purposes at such times as Landlord shall designate. If the Premises is or becomes infested with vermin as a result of the use or any misuse or neglect of the Premises by Tenant, its agents, servants, employees, contractors, visitors or licensees, Tenant shall forthwith, at Tenant's expense, cause the Premises to be exterminated from time to time to the satisfaction of Landlord and shall employ such licensed exterminators as shall be approved in writing in advance by Landlord.

21. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

22. Any persons employed by Tenant to do janitorial work shall be subject to the prior written approval of Landlord, and while in the Building and outside of the Premises, shall be subject to and under the control and direction of the Building manager (but not as an agent or servant of such manager or of Landlord), and Tenant shall be responsible for all acts of such persons.

23. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord, and no curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises other than Landlord standard drapes. All electrical ceiling fixtures hung in the Premises or spaces along the perimeter of the Building must be fluorescent and/or of a quality, type, design and a warm white bulb color approved in advance in writing by Landlord. Neither the interior nor exterior of any windows shall be coated or otherwise sunscreened without the prior written consent of Landlord. Tenant shall be responsible for any damage to the window film on the exterior windows of the Premises and shall promptly repair any such damage at Tenant's sole cost and expense. Tenant shall keep its window coverings closed during any period of the day when the sun is shining directly on the windows of the Premises. Prior to leaving the Premises for the day, Tenant shall draw or lower window coverings and extinguish all lights. Tenant shall abide by Landlord's regulations concerning the opening and closing of window coverings which are attached to the windows in the Premises, if any, which have a view of any interior portion of the Building or Building Common Areas.

24. The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall any bottles, parcels or other articles be placed on the windowsills.

25. Tenant must comply with requests by the Landlord concerning the informing of their employees of items of importance to the Landlord.

26. Tenant must comply with applicable "**NO-SMOKING**" ordinances and all related, similar or successor ordinances, rules, regulations or codes. If Tenant is required under the ordinance to adopt a written smoking policy, a copy of said policy shall be on file in the office of the Building. In addition, no smoking of any substance shall be permitted within the Project except in specifically designated outdoor areas. Within such designated outdoor areas, all remnants of consumed cigarettes and related paraphernalia shall be deposited in ash trays and/or waste receptacles. No cigarettes shall be extinguished and/or left on the ground or any other surface of the Project. Cigarettes shall be extinguished only in ashtrays. Furthermore, in no event shall Tenant, its employees or agents smoke tobacco products or other substances (x) within any interior areas of the Project, or (y) within two hundred feet (200') of the main entrance of the Building or

the main entrance of any of the adjacent buildings, or (z) within seventy-five feet (75') of any other entryways into the Building.

27. Tenant hereby acknowledges that Landlord shall have no obligation to provide guard service or other security measures for the benefit of the Premises, the Building or the Project. Tenant hereby assumes all responsibility for the protection of Tenant and its agents, employees, contractors, invitees and guests, and the property thereof, from acts of third parties, including keeping doors locked and other means of entry to the Premises closed, whether or not Landlord, at its option, elects to provide security protection for the Project or any portion thereof. Tenant further assumes the risk that any safety and security devices, services and programs which Landlord elects, in its sole discretion, to provide may not be effective, or may malfunction or be circumvented by an unauthorized third party, and Tenant shall, in addition to its other insurance obligations under this Lease, obtain its own insurance coverage to the extent Tenant desires protection against losses related to such occurrences. Tenant shall cooperate in any reasonable safety or security program developed by Landlord or required by law.

28. All office equipment of any electrical or mechanical nature shall be placed by Tenant in the Premises in settings approved by Landlord, to absorb or prevent any vibration, noise and annoyance.

29. Tenant shall not use in any space or in the public halls of the Building, any hand trucks except those equipped with rubber tires and rubber side guards.

30. No auction, liquidation, fire sale, going-out-of-business or bankruptcy sale shall be conducted in the Premises without the prior written consent of Landlord.

31. No tenant shall use or permit the use of any portion of the Premises for living quarters, sleeping apartments or lodging rooms.

32. Tenant shall not purchase spring water, towels, janitorial or maintenance or other similar services from any company or persons not approved by Landlord. Landlord shall approve a sufficient number of sources of such services to provide Tenant with a reasonable selection, but only in such instances and to such extent as Landlord in its judgment shall consider consistent with the security and proper operation of the Building.

33. Tenant shall install and maintain, at Tenant's sole cost and expense, an adequate, visibly marked and properly operational fire extinguisher next to any duplicating or photocopying machines or similar heat producing equipment, which may or may not contain combustible material, in the Premises.

Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Premises, Building, the Common Areas and the Project, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants therein. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant, nor prevent Landlord from thereafter enforcing any such Rules or Regulations against any or all tenants of the Project. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them as a condition of its occupancy of the Premises.

EXHIBIT E

ONE PASEO

FORM OF TENANT'S ESTOPPEL CERTIFICATE

The undersigned as Tenant under that certain Office Lease (the "Lease") made and entered into as of _____, 20 by and between _____ as Landlord, and the undersigned as Tenant, for Premises on the _____ floor(s) of the office building located at _____, _____, California _____, certifies as follows:

1. Attached hereto as Exhibit A is a true and correct copy of the Lease and all amendments and modifications thereto. The documents contained in Exhibit A represent the entire agreement between the parties as to the Premises.

2. The undersigned currently occupies the Premises described in the Lease, the Lease Term commenced on _____, and the Lease Term expires on _____, and the undersigned has no option to terminate or cancel the Lease or to purchase all or any part of the Premises, the Building and/or the Project.

3. Base Rent became payable on _____.

4. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in Exhibit A.

5. Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows:

6. Tenant shall not modify the documents contained in Exhibit A without the prior written consent of Landlord's mortgagee.

7. All monthly installments of Base Rent, all Additional Rent and all monthly installments of estimated Additional Rent have been paid when due through _____. The current monthly installment of Base Rent is $_____.

8. All conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and Landlord is not in default thereunder. In addition, the undersigned has not delivered any notice to Landlord regarding a default by Landlord thereunder.

9. No rental has been paid more than thirty (30) days in advance and no security has been deposited with Landlord except as provided in the Lease.

10. As of the date hereof, there are no existing defenses or offsets, or, to the undersigned's knowledge, claims or any basis for a claim, that the undersigned has against Landlord.

11. If Tenant is a corporation or partnership, each individual executing this Estoppel Certificate on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Tenant is authorized to do so.

12. There are no actions pending against the undersigned under the bankruptcy or similar laws of the United States or any state.

13. Other than in compliance with all applicable laws and incidental to the ordinary course of the use of the Premises, the undersigned has not used or stored any hazardous materials or substances in the Premises.

14. To the undersigned's knowledge, all improvement work to be performed by Landlord under the Lease has been completed in accordance with the Lease and has been accepted by the undersigned and all reimbursements and allowances due to the undersigned under the Lease in connection with any improvement work have been paid in full.

The undersigned acknowledges that this Estoppel Certificate may be delivered to Landlord or to a prospective mortgagee or prospective purchaser, and acknowledges that said prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in making the loan or acquiring the property of which the Premises is a part and that receipt by it of this certificate is a condition of making such loan or acquiring such property.

Executed at _____ on the ____ day of _____, 20__.

"Tenant":

,
a

By:

Name:

Its:

By:

Name:

Its:

EXHIBIT F

ONE PASEO

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
1901 Avenue of the Stars, 18th Floor
Los Angeles, California 90067
Attention: Anton N. Natsis, Esq.

**RECOGNITION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS**

This Recognition of Covenants, Conditions, and Restrictions (this "**Agreement**") is entered into as of the __ day of _____, 20___, by and between _____ ("Landlord"), and _____ ("Tenant"), with reference to the following facts:

A. Landlord and Tenant entered into that certain Office Lease dated _____, 20__ (the "**Lease**"). Pursuant to the Lease, Landlord leased to Tenant and Tenant leased from Landlord space (the "**Premises**") located in an office building on certain real property described in **Exhibit A** attached hereto and incorporated herein by this reference (the "**Property**").

B. The Premises is located in an office building located on real property which is part of an area owned by Landlord containing approximately ___ (__) acres of real property located in the City of _____, California (the "**Project**"), as more particularly described in **Exhibit B** attached hereto and incorporated herein by this reference.

C. Landlord, as declarant, has previously recorded, or proposes to record concurrently with the recordation of this Agreement, a Declaration of Covenants, Conditions, and Restrictions (the "**Declaration**"), dated _____, 20___, in connection with the Project.

D. Tenant is agreeing to recognize and be bound by the terms of the Declaration, and the parties hereto desire to set forth their agreements concerning the same.

NOW, THEREFORE, in consideration of (a) the foregoing recitals and the mutual agreements hereinafter set forth, and (b) for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows,

1. Tenant's Recognition of Declaration. Notwithstanding that the Lease has been executed prior to the recordation of the Declaration, Tenant agrees to recognize and by bound by all of the terms and conditions of the Declaration.

2. Miscellaneous.

2.1 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, estates, personal representatives, successors, and assigns.

2.2 This Agreement is made in, and shall be governed, enforced and construed under the laws of, the State of California.

2.3 This Agreement constitutes the entire understanding and agreements of the parties with respect to the subject matter hereof, and shall supersede and replace all prior understandings and agreements, whether verbal or in writing. The parties confirm and acknowledge that there are no other promises, covenants, understandings, agreements, representations, or warranties with respect to the subject matter of this Agreement except as expressly set forth herein.

2.4 This Agreement is not to be modified, terminated, or amended in any respect, except pursuant to any instrument in writing duly executed by both of the parties hereto.

2.5 In the event that either party hereto shall bring any legal action or other proceeding with respect to the breach, interpretation, or enforcement of this Agreement, or with respect to any dispute relating to any transaction covered by this Agreement, the losing party in such action or proceeding shall reimburse the prevailing party therein for all reasonable costs of litigation, including reasonable attorneys' fees, in such amount as may be determined by the court or other tribunal having jurisdiction, including matters on appeal.

2.6 All captions and heading herein are for convenience and ease of reference only, and shall not be used or referred to in any way in connection with the interpretation or enforcement of this Agreement.

2.7 If any provision of this Agreement, as applied to any party or to any circumstance, shall be adjudged by a court of competent jurisdictions to be void or unenforceable for any reason, the same shall not affect any other provision of this Agreement, the application of such provision under circumstances different from those adjudged by the court, or the validity or enforceability of this Agreement as a whole.

2.8 Time is of the essence of this Agreement.

2.9 The Parties agree to execute any further documents, and take any further actions, as may be reasonable and appropriate in order to carry out the purpose and intent of this Agreement.

2.10 As used herein, the masculine, feminine or neuter gender, and the singular and plural numbers, shall each be deemed to include the others whenever and whatever the context so indicates.

SIGNATURE PAGE OF RECOGNITION OF COVENANTS, CONDITIONS AND RESTRICTIONS

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

"Landlord":

_____,
a _____

By:
Its:

"Tenant":

,
a

By:
Its:

By:
Its:

EXHIBIT G

ONE PASEO

FORM OF LETTER OF CREDIT

(Letterhead of a money center bank acceptable to the Landlord)

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER _____

ISSUE DATE: _____

ISSUING BANK:
SILICON VALLEY BANK
3003 TASMAN DRIVE
2ND FLOOR, MAIL SORT HF210
SANTA CLARA, CALIFORNIA 95054

BENEFICIARY:
KILROY REALTY, L.P.
C/O KILROY REALTY CORPORATION
12200 W. OLYMPIC BLVD., SUITE 200
LOS ANGELES, CA 90064

APPLICANT:
ACADIA PHARMACEUTICALS INC
3611 VALLEY CENTRE DRIVE, SUITE 300
SAN DIEGO CA 92130

AMOUNT: […***…]

EXPIRATION DATE: ONE YEAR FROM ISSUE DATE

PLACE OF EXPIRATION: ISSUING BANK'S COUNTERS AT ITS ABOVE ADDRESS

LADIES AND GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ IN YOUR FAVOR FOR THE ACCOUNT OF ACADIA PHARMACEUTICALS INC, UP TO THE AGGREGATE AMOUNT OF […***…] EFFECTIVE IMMEDIATELY AND EXPIRING ON _____, 2019. THIS LETTER OF CREDIT IS AVAILABLE UPON PRESENTATION OF YOUR DRAFT(S) AT SIGHT DRAWN ON SILICON VALLEY BANK WHEN ACCOMPANIED BY THE FOLLOWING DOCUMENTS:

1. THE ORIGINAL OF THIS LETTER OF CREDIT AND ALL AMENDMENT(S), IF ANY.
2. BENEFICIARY'S SIGNED STATEMENT SIGNED BY AN AUTHORIZED SIGNATORY OF THE BENEFICIARY STATING THE FOLLOWING:

(A) "THE UNDERSIGNED HEREBY CERTIFIES THAT THE LANDLORD, EITHER: (A) UNDER THE LEASE (DEFINED BELOW), OR (B) AS A RESULT OF THE TERMINATION

OF SUCH LEASE, HAS THE RIGHT TO DRAW DOWN THE AMOUNT OF US$ [INSERT AMOUNT IN NUMERALS AND WORDS] IN ACCORDANCE WITH THE TERMS OF THAT CERTAIN OFFICE LEASE DATED _____[INSERT DATE], AS THE SAME MAY HAVE BEEN AMENDED FROM TIME TO TIME (COLLECTIVELY, THE "LEASE"), OR SUCH AMOUNT CONSTITUTES DAMAGES OWING BY THE TENANT TO BENEFICIARY RESULTING FROM THE BREACH OF SUCH LEASE BY THE TENANT THEREUNDER, OR THE TERMINATION OF SUCH LEASE, AND SUCH AMOUNT REMAINS UNPAID AT THE TIME OF THIS DRAWING."

OR

(B) "THE UNDERSIGNED HEREBY CERTIFIES THAT WE HAVE RECEIVED A WRITTEN NOTICE OF SILICON VALLEY BANK'S ELECTION NOT TO EXTEND ITS STANDBY LETTER OF CREDIT NO. _____ AND WE HAVE NOT RECEIVED A REPLACEMENT LETTER OF CREDIT WITHIN AT LEAST SIXTY (60) DAYS PRIOR TO THE PRESENT EXPIRATION DATE."

OR

(C) "THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ AS THE RESULT OF THE FILING OF A VOLUNTARY PETITION UNDER THE U.S. BANKRUPTCY CODE OR A STATE BANKRUPTCY CODE BY THE TENANT UNDER THAT CERTAIN OFFICE LEASE DATED [INSERT DATE], AS THE SAME MAY HAVE BEEN AMENDED (COLLECTIVELY, THE "LEASE"), WHICH FILING HAS NOT BEEN DISMISSED AT THE TIME OF THIS DRAWING."

OR

(D) "THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ AS THE RESULT OF AN INVOLUNTARY PETITION HAVING BEEN FILED UNDER THE U.S. BANKRUPTCY CODE OR A STATE BANKRUPTCY CODE AGAINST THE TENANT UNDER THAT CERTAIN OFFICE LEASE DATED [INSERT DATE], AS THE SAME MAY HAVE BEEN AMENDED (COLLECTIVELY, THE "LEASE"), WHICH FILING HAS NOT BEEN DISMISSED AT THE TIME OF THIS DRAWING."

OR

(E) "THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ AS THE RESULT OF THE REJECTION, OR DEEMED REJECTION, OF THAT CERTAIN OFFICE LEASE DATED _____[INSERT DATE], AS THE SAME MAY HAVE BEEN AMENDED FROM TIME TO TIME, UNDER SECTION 365 OF THE U.S. BANKRUPTCY CODE."

SPECIAL CONDITIONS:

PARTIAL DRAWINGS AND MULTIPLE PRESENTATIONS MAY BE MADE UNDER THIS STANDBY LETTER OF CREDIT, PROVIDED, HOWEVER, THAT EACH SUCH DEMAND THAT IS PAID BY US SHALL REDUCE THE AMOUNT AVAILABLE UNDER THIS STANDBY LETTER OF CREDIT.

ALL BANKING CHARGES ARE FOR THE APPLICANT'S ACCOUNT. ALL SIGNATURES MUST BE MANUALLY EXECUTED IN ORIGINALS.

WE AGREE THAT WE SHALL HAVE NO DUTY OR RIGHT TO INQUIRE AS TO THE BASIS UPON WHICH BENEFICIARY HAS DETERMINED THAT THE AMOUNT IS DUE AND OWING OR HAS DETERMINED TO PRESENT TO US ANY DRAFT UNDER THIS LETTER OF CREDIT, AND THE PRESENTATION OF SUCH DRAFT IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT SHALL AUTOMATICALLY RESULT IN PAYMENT TO THE BENEFICIARY.

THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL PERIOD OF ONE YEAR, WITHOUT AMENDMENT, FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO THE THEN CURRENT EXPIRATION DATE WE SEND YOU A NOTICE BY REGISTERED MAIL OR OVERNIGHT COURIER SERVICE AT THE ABOVE ADDRESS (OR ANY OTHER ADDRESS INDICATED BY YOU, IN A WRITTEN NOTICE TO US THE RECEIPT OF WHICH WE HAVE ACKNOWLEDGE, AS THE ADDRESS TO WHICH WE SHOULD SEND SUCH NOTICE) THAT THIS LETTER OF CREDIT WILL NOT BE EXTENDED BEYOND THE CURRENT EXPIRATION DATE. IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND A FINAL EXPIRATION DATE OF _____[insert date 120 days from the Lease Expiration Date].

THE DATE THIS LETTER OF CREDIT EXPIRES IN ACCORDANCE WITH THE ABOVE PROVISION IS THE "FINAL EXPIRATION DATE". UPON THE OCCURRENCE OF THE FINAL EXPIRATION DATE THIS LETTER OF CREDIT SHALL FULLY AND FINALLY EXPIRE AND NO PRESENTATIONS MADE UNDER THIS LETTER OF CREDIT AFTER SUCH DATE WILL BE HONORED.

THIS LETTER OF CREDIT IS TRANSFERABLE ONE OR MORE TIMES, BUT IN EACH INSTANCE ONLY TO A SINGLE BENEFICIARY AS TRANSFEREE AND ONLY UP TO THE THEN AVAILABLE AMOUNT, ASSUMING SUCH TRANSFER TO SUCH TRANSFEREE WOULD BE IN COMPLIANCE WITH THEN APPLICABLE LAW AND REGULATION, INCLUDING BUT NOT LIMITED TO THE REGULATIONS OF THE U. S. DEPARTMENT OF TREASURY AND U. S. DEPARTMENT OF COMMERCE. AT THE TIME OF TRANSFER, THE ORIGINAL LETTER OF CREDIT AND ORIGINAL AMENDMENT(S), IF ANY, MUST BE SURRENDERED TO US AT OUR ADDRESS INDICATED IN THIS LETTER OF CREDIT TOGETHER WITH OUR TRANSFER FORM ATTACHED HERETO AS EXHIBIT "A" DULY EXECUTED. THE CORRECTNESS OF THE SIGNATURE AND TITLE OF THE PERSON SIGNING THE TRANSFER FORM MUST BE VERIFIED BY BENEFICIARY'S BANK. PROVIDED THAT IN LIEU OF SUCH BANK AUTHENTICATION, BENEFICIARY MAY PROVIDE THE ISSUING BANK WITH ALTERNATIVE DOCUMENTATION TO EVIDENCE THE SIGNER'S AUTHORITY TO EXECUTE THE TRANSFER INSTRUMENT ON BEHALF OF THE BENEFICIARY, SUCH AS AN INCUMBENCY CERTIFICATE OR OTHER DOCUMENTATION AS MAY BE REASONABLY SATISFACTORY TO THE ISSUING BANK. APPLICANT SHALL PAY OUR TRANSFER FEE OF US$1,000.00 UNDER THIS LETTER OF CREDIT. PAYMENT OF ANY TRANSFER FEES AND/OR ANY TRANSFER COST SHALL NOT BE A CONDITION PRECEDENT TO TRANSFER. EACH TRANSFER SHALL BE EVIDENCED BY OUR ENDORSEMENT ON THE REVERSE OF THE LETTER OF CREDIT AND WE SHALL FORWARD THE ORIGINAL OF THE LETTER OF CREDIT SO ENDORSED TO THE TRANSFEREE.

ALL DRAFTS REQUIRED UNDER THIS STANDBY LETTER OF CREDIT MUST BE MARKED: "DRAWN UNDER SILICON VALLEY BANK STANDBY LETTER OF CREDIT NO. _____."

WE HEREBY AGREE WITH YOU THAT IF DRAFTS ARE PRESENTED TO SILICON VALLEY BANK UNDER THIS LETTER OF CREDIT AT OR PRIOR TO 11:00 AM CALIFORNIA TIME, ON A BUSINESS DAY, AND PROVIDED THAT SUCH DRAFTS PRESENTED CONFORM TO THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, PAYMENT SHALL BE INITIATED BY US IN IMMEDIATELY AVAILABLE FUNDS BY OUR CLOSE OF BUSINESS ON THE SUCCEEDING BUSINESS DAY. IF DRAFTS ARE PRESENTED TO SILICON VALLEY BANK UNDER THIS LETTER OF CREDIT AFTER 11:00 AM CALIFORNIA TIME, ON A BUSINESS DAY, AND PROVIDED THAT SUCH DRAFTS CONFORM TO THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, PAYMENT SHALL BE INITIATED BY US IN IMMEDIATELY AVAILABLE FUNDS BY OUR CLOSE OF BUSINESS ON THE SECOND SUCCEEDING BUSINESS DAY. AS USED IN THIS LETTER OF CREDIT, "BUSINESS DAY" SHALL MEAN ANY DAY OTHER THAN A SATURDAY, SUNDAY OR A DAY ON WHICH BANKING INSTITUTIONS IN THE STATE OF CALIFORNIA ARE AUTHORIZED OR REQUIRED BY LAW TO CLOSE. IF THE EXPIRATION DATE FOR THIS LETTER OF CREDIT SHALL

EVER FALL ON A DAY WHICH IS NOT A BUSINESS DAY THEN SUCH EXPIRATION DATE SHALL AUTOMATICALLY BE EXTENDED TO THE DATE WHICH IS THE NEXT BUSINESS DAY.

PRESENTATION OF A DRAWING UNDER THIS LETTER OF CREDIT MAY BE MADE ON OR PRIOR TO THE THEN CURRENT EXPIRATION DATE HEREOF BY HAND DELIVERY, COURIER SERVICE, OVERNIGHT MAIL, OR FACSIMILE. PRESENTATION BY FACSIMILE TRANSMISSION SHALL BE BY TRANSMISSION OF THE ABOVE REQUIRED SIGHT DRAFT DRAWN ON US TOGETHER WITH BENEFICIARY'S SIGNED STATEMENT AS SPECIFIED ABOVE TO OUR FACSIMILE NUMBER, (408) 496-2418, 2418 OR (408) 969-6510; ATTENTION: STANDBY LETTER OF CREDIT NEGOTIATION SECTION, WITH TELEPHONIC CONFIRMATION OF OUR RECEIPT OF SUCH FACSIMILE TRANSMISSION AT OUR TELEPHONE NUMBER (408)654-6274 OR (408) 654-7716 OR TO SUCH OTHER FACSIMILE OR TELEPHONE NUMBERS, AS TO WHICH YOU HAVE RECEIVED WRITTEN NOTICE FROM US AS BEING THE APPLICABLE SUCH NUMBER. WE AGREE TO NOTIFY YOU IN WRITING, BY NATIONALLY RECOGNIZED OVERNIGHT COURIER SERVICE SUCH AS UPS OR FED-EX, OF ANY CHANGE IN SUCH DIRECTION. SHOULD BENEFICIARY WISH TO MAKE PRESENTATIONS UNDER THIS LETTER OF CREDIT ENTIRELY BY FACSIMILE TRANSMISSION IT NEED NOT TRANSMIT THIS LETTER OF CREDIT AND AMENDMENT(S), IF ANY. EACH FACSIMILE TRANSMISSION SHALL BE MADE AT OUR FACSIMILE NUMBERS SHOWN ABOVE WITH ORIGINALS TO FOLLOW BY OVERNIGHT COURIER SERVICE; PROVIDED, HOWEVER, THE BANK WILL DETERMINE HONOR OR DISHONOR ON THE BASIS OF PRESENTATION BY FACSIMILE ALONE, AND WILL NOT EXAMINE THE ORIGINALS. IN ADDITION, ABSENCE OF THE AFORESAID TELEPHONE ADVICE SHALL NOT AFFECT OUR OBLIGATION TO HONOR ANY DRAW REQUEST.

WE HEREBY ENGAGE WITH YOU THAT ALL DOCUMENT(S) DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS STANDBY LETTER OF CREDIT WILL BE DULY HONORED IF DRAWN AND PRESENTED FOR PAYMENT AT OUR OFFICE LOCATED AT SILICON VALLEY BANK, 3003 TASMAN DRIVE, 2ND FLOOR, MAIL SORT HF210, SANTA CLARA, CALIFORNIA 95054, ATTENTION: GLOBAL TRADE FINANCE – STANDBY LETTER OF CREDIT DEPARTMENT (THE "BANK'S OFFICE") ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT OR ANY AUTOMATICALLY EXTENDED EXPIRATION DATE.

IF ANY INSTRUCTIONS ACCOMPANYING A DRAWING UNDER THIS LETTER OF CREDIT REQUEST THAT PAYMENT IS TO BE MADE BY TRANSFER TO YOUR ACCOUNT WITH ANOTHER BANK, WE WILL ONLY EFFECT SUCH PAYMENT BY FEDWIRE TO A U.S. REGULATED BANK, AND WE AND/OR SUCH OTHER BANK MAY RELY ON AN ACCOUNT NUMBER SPECIFIED IN SUCH INSTRUCTIONS EVEN IF THE NUMBER IDENTIFIES A PERSON OR ENTITY DIFFERENT FROM THE INTENDED PAYEE.

IN THE EVENT THAT THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT IS LOST, STOLEN, MUTILATED, OR OTHERWISE DESTROYED, WE HEREBY AGREE TO ISSUE A CERTIFIED TRUE COPY OF THIS LETTER OF CREDIT UPON RECEIPT OF A WRITTEN REQUEST FROM THE BENEFICIARY OR TRANSFEREE, AS APPLICABLE, TOGETHER WITH A DULY EXECUTED INDEMNITY LETTER IN THE FORM ATTACHED HERETO AS EXHIBIT "B" SIGNED BY AN AUTHORIZED SIFNATORY OF THE BENEFICIARY OR TRANSFEREE, AS APPLICABLE, FOLLOWED BY HIS/HER PRINTED NAME AND DESIGNATED SIGNATURE AUTHORITY.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED HEREIN, THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE "INTERNATIONAL STANDBY PRACTICES" (ISP 98) INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION NO. 590).

_____ _____

AUTHORIZED SIGNATURE AUTHORIZED SIGNATURE

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER _____

EXHIBIT A
TRANSFER FORM

DATE: _____

TO: SILICON VALLEY BANK
3003 TASMAN DRIVE
SANTA CLARA, CA 95054
ATTN:INTERNATIONAL DIVISION.
STANDBY LETTERS OF CREDIT

RE: IRREVOCABLE STANDBY LETTER OF CREDIT
NO. _____ ISSUED BY
SILICON VALLEY BANK, SANTA CLARA
L/C AMOUNT: _____

GENTLEMEN:

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY TRANSFERS TO:

_____
(NAME OF TRANSFEREE)

_____
(ADDRESS)

ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY TO DRAW UNDER THE ABOVE LETTER OF CREDIT UP TO ITS AVAILABLE AMOUNT AS SHOWN ABOVE AS OF THE DATE OF THIS TRANSFER.

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN SUCH LETTER OF CREDIT ARE TRANSFERRED TO THE TRANSFEREE. TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER INCREASES OR EXTENSIONS OR OTHER AMENDMENTS, AND WHETHER NOW EXISTING OR HEREAFTER MADE. ALL AMENDMENTS ARE TO BE ADVISED DIRECTLY TO THE TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED BENEFICIARY.

THE ORIGINAL OF SUCH LETTER OF CREDIT IS RETURNED HEREWITH, AND WE ASK YOU TO ENDORSE THE TRANSFER ON THE REVERSE THEREOF, AND FORWARD IT DIRECTLY TO THE TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER.

SIGNATURE AUTHENTICATED
The names(s), title(s), and signature(s) conform to that/those on file with us for the company and the signature(s) is/are authorized to execute this instrument.

_____
(Name of Bank)

_____
(Address of Bank)

_____
(City, State, Zip Code)

_____
(Print Authorized Name and Title)

_____
(Authorized Signature)

_____
(Telephone Number)

_____
(BENEFICIARY'S NAME)

By:_____

Printed Name:_____

Title:_____

EXHIBIT B

_____, 20___

Silicon Valley Bank
3003 Tasman Drive
Santa Clara, CA 95054
Attn: Standby Letters of Credit Department

Re: Irrevocable Standby Letter of Credit No. SVBSF_____

Ladies and Gentlemen:

The undersigned ("Beneficiary") is the beneficiary under Irrevocable Standby Letter of Credit **No. SVBSF_____** issued by Silicon Valley Bank ("Bank") upon the request of _____ (together with all amendments issued to such letter of credit, the "Standby L/C"). Beneficiary cannot locate the executed original of the Standby L/C (the "Original Standby L/C") and has requested that Bank issue a certified true copy of the Standby L/C ("Certified True Copy") to replace the Original Standby L/C. Beneficiary understands that Bank is willing to grant Beneficiary's request to issue the Certified True Copy so long as Beneficiary agrees to execute this letter agreement for Bank's benefit.

In consideration of Bank's willingness to issue the Certified True Copy, Beneficiary agrees as follows:

1. If Beneficiary locates the Original Standby L/C, it will not draw any draft(s) or make any demand(s) upon Bank thereunder, but will promptly deliver to Bank the Original Standby L/C, marked "CANCELED", and signed and dated by its duly authorized representative, for disposition by Bank.

2. Beneficiary represents and warrants that it has not encumbered, assigned, or otherwise transferred its interest in the Standby L/C or delivered the Original Standby L/C to any other person or entity.

3.Beneficiary will indemnify and save Bank harmless from and against any and all claims, judgments, demands, losses, damages, actions, liabilities, costs and expenses, including, without limitation, attorneys' fees, which Bank at any time may suffer, sustain or incur in connection with the missing Original Standby L/C (collectively, "Claims"), including, without limitation, any presentation for payment of any draft(s) or demand(s) drawn under the Original Standby L/C by a holder in due course or a bonafide purchaser for value of the Original Standby L/C, or any other draw requests, presentments or any other claims made on the Original Standby L/C regardless of the party making such draw requests, presentments or any other claims made (including Beneficiary and/or any of its agents, successors and assigns). This indemnity shall include, without limitation, the face amount of the Original Standby L/C if Bank is required by law to pay same to a holder in due course or a bonafide purchaser for value of the Original Standby L/C and/or any presentation thereunder or proceeds thereof. Beneficiary will pay, within thirty (30) days of receipt of written request from Bank, all sums requested by Bank as indemnity for Bank's Claims.

4. Upon the effectiveness of this letter agreement, Beneficiary irrevocably releases Bank from any obligation to it under the Original Standby L/C.

Beneficiary has executed this letter agreement by its duly authorized representative on the date hereof and this letter agreement shall be deemed to be effective as of such date.

Yours truly,

_____

(Beneficiary)

Authorized Signature: _______________
Name & Title: ______________________

SIGNATURE AUTHENTICATED

The signature of Beneficiary conforms to that on file with us in the Signature Specimen Card of the Beneficiary for Loans and Guarantee.

____
(Name of bank)
By:_____________________________________
(Authorized Signature) **
____
(Title)
____
(Telephone Number)
____
(Address of bank)

** VERIFICATION OF BENEFICIARY'S SIGNATURE(S) BY A NOTARY PUBLIC IS UNACCEPTABLE.

''"""""""'"""""""""""""""""'"'''"""""

EXHIBIT H

ONE PASEO

MARKET RENT DETERMINATION FACTORS

When determining Market Rent, the following rules and instructions shall be followed.

1. **RELEVANT FACTORS**. The "**Market Rent**," as used in this Lease, shall be derived from an analysis (as such derivation and analysis are set forth in this **Exhibit H**) of the "Net Equivalent Lease Rates," of the "Comparable Transactions" (as that term is defined below). The Market Rent, as used in this Lease, shall be equal to the annual Net Equivalent Lease Rate rent per rentable square foot, at which tenants, are, pursuant to transactions consummated within fifteen (15) months prior to the commencement of the Option Term, provided that timing adjustments shall be made to reflect any scheduled changes (i.e., annual rent bumps) in the Market Rent following the date of any particular Comparable Transaction up to the date of the commencement of the applicable Option Term, leasing non-sublease, non-encumbered space comparable in location and quality to the Premises containing a square footage comparable to that of the Premises for a term of at least five (5) years, in an arm's-length transaction, which comparable space is located in "Comparable Buildings" (transactions satisfying the foregoing criteria shall be known as the "**Comparable Transactions**"). The terms of the Comparable Transactions shall be calculated as a "Net Equivalent Lease Rate" pursuant to the terms of this **Exhibit H**, and shall take into consideration only the following terms and concessions (collectively, "**Concessions**"): (i) the rental rate and escalations for the Comparable Transactions, (ii) the amount of parking rent per parking permit paid in the Comparable Transactions, if any, (iii) operating expense and tax protection granted in such Comparable Transactions such as a base year or expense stop (although for each such Comparable Transaction the base rent shall be adjusted to a triple net base rent using reasonable estimates of operating expenses and taxes for each such Comparable Transaction); (iv) rental abatement concessions, if any, being granted such tenants in connection with such comparable space, (v) any ""improvements or allowances provided or to be provided in the Comparable Transactions, taking into account the contributory value of the existing improvements in the Premises, such value to be based upon the age, design, quality of finishes, and layout of the existing improvements, and (vi) all other monetary concessions (including the value of any signage), if any, being granted such tenants in connection with such Comparable Transactions. Notwithstanding any contrary provision hereof, in determining the Market Rent, no consideration shall be given to (A) any period of rental abatement, if any, granted to tenants in Comparable Transactions in connection with the design, permitting and construction of improvements, or (B) any commission paid or not paid in connection with such Comparable Transaction. The square footage of the Premises shall be restated as determined pursuant to the standards of space measurement used in the Comparable Transactions.

2. **TENANT SECURITY**. The Market Rent shall additionally include a determination as to whether, and if so to what extent, Tenant must provide Landlord with financial security, such as an enhanced security deposit, a letter of credit or guaranty, for Tenant's Rent obligations during the Option Term. Such determination shall be made by reviewing the extent of financial security then generally being imposed in Comparable Transactions from tenants of comparable financial condition and credit history to the then existing financial condition and credit history of Tenant (with appropriate adjustments to account for differences in the then-existing financial condition of Tenant and such other tenants, and giving reasonable consideration to Tenant's prior performance history during the Lease Term).

3. **RENEWAL IMPROVEMENT ALLOWANCE**. Notwithstanding anything to the contrary set forth in this **Exhibit H**, once the Market Rent for the Option Term is determined as a Net Equivalent Lease Rate, if, in connection with such determination, it is deemed that Tenant is entitled to an improvement or comparable allowance for the improvement of the Premises, (the total dollar value of such allowance shall be referred to herein as the "**Renewal Allowance**"), Landlord shall pay the Renewal Allowance to Tenant pursuant to a commercially reasonable disbursement procedure determined by Landlord and the terms of Article 8 of this Lease, and, as set forth in Section 5, below, of this **Exhibit H**, the rental rate component of the Market Rent shall be increased to be a rental rate which takes into consideration that Tenant will receive payment of such Renewal Allowance and, accordingly, such payment with interest shall be factored into the base rent component of the Market Rent.

4. **COMPARABLE BUILDINGS**. For purposes of this Lease, the term "**Comparable Buildings**" shall mean first-class multi-tenant occupancy office buildings which are comparable to the Building in terms of age (based upon the date of completion of construction or major renovation), quality of construction, level of services and amenities (including, but not limited to, the type (e.g., surface, covered, subterranean) and amount of parking), size and appearance, and are located in the "Comparable Area." For purposes of this Lease, the "Comparable "**Comparable Area**," shall be the area containing Comparable Buildings which are within an area bounded by State Road 56 on the South side, Del Mar Heights Road on the North side, Camino Del Sur on the East side, and Interstate 5 on the West side; provided, however to the extent there are less than five (5) resulting Comparable Transactions within the Comparable Area, then notwithstanding that the same are not located within the Comparable Area, the buildings located at (i) 4575 La Jolla Village Drive, San Diego CA 92122, and (ii) 4545 La Jolla Village Drive, San Diego CA 92122, shall be deemed to be Comparable Buildings for purposes of identifying Comparable Transactions.

5. **METHODOLOGY FOR REVIEWING AND COMPARING THE COMPARABLE TRANSACTIONS**. In order to analyze the Comparable Transactions based on the factors to be considered in calculating Market Rent, and given that the Comparable Transactions may vary in terms of length of term, rental rate, concessions, etc., the following steps shall be taken into consideration to "adjust" the objective data from each of the Comparable Transactions. By taking this approach, a "Net Equivalent Lease Rate" for each of the Comparable Transactions shall be determined using the following steps to adjust the Comparable Transactions, which will allow for an "apples to apples" comparison of the Comparable Transactions.

5.1. The contractual rent payments for each of the Comparable Transactions should be arrayed monthly or annually over the lease term. All Comparable Transactions should be adjusted to simulate a net rent structure, wherein the tenant is responsible for the payment of all property operating expenses in a manner consistent with this Lease. This results in the estimate of Net Equivalent Rent received by each landlord for each Comparable Transaction being expressed as a periodic net rent payment.

5.2 Any free rent or similar inducements received over time should be deducted in the time period in which they occur, resulting in the net cash flow arrayed over the lease term.

5.3 The resultant net cash flow from the lease should then be discounted (using an 8% annual discount rate) to the lease commencement date, resulting in a net present value estimate.

5.4 From the net present value, up front inducements (improvements allowances and other concessions) should be deducted. These items should be deducted directly, on a "dollar for dollar" basis, without discounting since they are typically incurred at lease commencement, while rent (which is discounted) is a future receipt.

5.5 The resulting net present value, with up front inducements deducted as indicated in Section 5.4 above, should then be amortized back over the lease term as a level monthly or annual net rent payment using the same annual discount rate of 8.0% used in the present value analysis. This calculation will result in a hypothetical level or even payment over the option period, termed the "Net Equivalent Lease Rate" (or constant equivalent in general financial terms).

6. **USE OF NET EQUIVALENT LEASE RATES FOR COMPARABLE TRANSACTIONS**. The Net Equivalent Lease Rates for the Comparable Transactions shall then be used to reconcile to a conclusion of Market Rent which shall be stated as a "NNN" lease rate applicable to each year of the Option Term, which reconciliation shall be performed (i) in a manner usual and customary for a real estate appraisal process, and (ii) to take into account, and adjust for, the three percent (3%) annual increases identified in Section 2.2.2(ii) of the Lease.

EXHIBIT I

FORM OF LEASE AGREEMENT FOR SUBLEASE PREMISES

This LEASE AGREEMENT (this "**Lease**") is made and entered into as of [___] (the "**Effective Date**"), by and between KILROY REALTY, L.P., a Delaware limited partnership ("**Landlord**"), and ACADIA PHARMACEUTICALS INC., a Delaware corporation ("**Tenant**").

R E C I T A L S :

A. Tenant is currently the "Subtenant" under that certain Sublease Agreement dated as of October 17, 2016 (the "**Sublease**"), by and between BRAIN CORPORATION, a California Corporation ("**Brain**"), as Sublandlord, and Tenant, as Subtenant. A copy of the Sublease is attached hereto as **Exhibit A**. Pursuant to the Sublease, Tenant leased the "**Sublease Premises**" consisting of approximately 26,437 rentable square feet of space, commonly known as Suite 400 and comprising [a portion / the entirety] of the fourth (4th) floor of that certain building located at 3611 Valley Centre Drive, San Diego, California 92130 (the "**Building**").

B. The Sublease was made under that certain Office Lease dated as of October 5, 2012 (as the same may have been amended, the "**Master Lease**") between Landlord and Brain, with respect to certain premises constituting the entirety of such Sublease Premises.

C. The Master Lease is scheduled to expire on May 31, 2020. Landlord and Tenant desire that, immediately upon such expiration, Tenant will lease the Sublease Premises directly from Landlord on the terms and conditions of this Lease.

A G R E E M E N T :

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Lease of Premises**. As of Effective Date, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Sublease Premises (hereinafter referred to as the "**Premises**").

2. **Condition of Premises**. Tenant acknowledges that Tenant has been occupying the Premises pursuant to the Sublease, and accordingly Tenant continues to accept the Premises in its presently existing, "as is" condition. Notwithstanding any contrary provision of the Sublease (or Master Lease, as applicable), Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Project, Building and Premises have not undergone inspection by a Certified Access Specialist (CASp).

As required by Section 1938(e) of the California Civil Code, Landlord hereby states as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." In furtherance of the foregoing, Landlord and Tenant hereby agree as follows: (a) any CASp inspection requested by Tenant shall be conducted, at Tenant's sole cost and expense, by a CASp designated by Landlord, subject to Landlord's reasonable rules and requirements; (b) Tenant, at its sole cost and expense, shall be responsible for making any improvements or repairs within the Premises to correct violations of construction-related accessibility standards identified by such Tenant-requested CASp inspection; and (c) if anything done by or for Tenant in its use or occupancy of the Premises shall require any improvements or repairs to the Building or Project (outside the Premises) to correct violations of construction-related accessibility standards identified by such Tenant-requested CASp inspection,

then Tenant shall reimburse Landlord upon demand, as Additional Rent, for the cost to Landlord of performing such improvements or repairs.

3. **Terms of Lease**. Tenant's lease of the Premises shall be on all of the terms and conditions of the Sublease (and applicable provisions of the Master Lease, as provided under Section 2 of the Sublease), as if Landlord were the Sublandlord and Tenant were the Subtenant thereunder, and as if the Premises were the Sublease Premises, except as otherwise provided in this Lease, and accordingly, the Sublease (and applicable terms of the Master Lease) is hereby incorporated herein by reference. In the event of any conflict between the terms contained in the Sublease (or Master Lease, as applicable) and this Lease, the terms of this Lease shall apply.

4. **Lease Term**. The term of this Lease (the "**Lease Term**") shall commence on the day immediately following the expiration (May 31, 2020) or earlier termination of the Sublease, and expire (unless sooner terminated as set forth in this Lease) on the earlier to occur of (i) December 31, 2020, and (ii) the "Lease Commencement Date" pursuant to that certain Office Lease dated as of even date herewith between Landlord and Tenant (the "**12830 El Camino Real Lease**") with regard to premises (the "**12830 ECR Premises**") more particularly identified in such 12830 El Camino Real Lease and located at the building to be known as 12830 El Camino Real being constructed by Landlord (*i.e., the date thirty (30) days following the date such 12830 ECR Premises are "Ready for Occupancy," as that term is set forth in Section 5.1 of the Work letter attached as **Exhibit B** to such 12830 El Camino Real Lease*); provided, however, to the extent such Lease Commencement Date has not occurred by December 31, 2020 for reasons other than the Tenant-caused delays identified in Section 5.2 of the Work Letter attached as **Exhibit B** to such 12830 El Camino Real Lease, then the Lease Term shall expire on such Lease Commencement Date (as opposed to December 31, 2020).

5. **Base Rental**. During the Lease Term, Tenant shall pay Base Rent to Landlord at a rate of […***…] per rentable square foot per month (i.e., […***…] per month).

6. **Operating Expenses**. Tenant shall continue to be obligated to pay Operating Expenses attributable to the Premises during the Lease Term pursuant to Section 4(c) of the Sublease and Article 4 of the Master Lease.

7. **No Options**. Notwithstanding any contrary provision of the Sublease or Master Lease, Tenant shall have no option or right to expand, contract, extend or terminate the Lease Term.

8. **Notices**. Notwithstanding anything to the contrary set forth in the Lease, effective as of the date of this Lease, any Notices to Landlord or Tenant, as applicable, must be sent, transmitted, or delivered, as the case may be, to the following addresses:

To Landlord:

Kilroy Realty, L.P.
c/o Kilroy Realty Corporation
12200 West Olympic Boulevard, Suite 200
Los Angeles, California 90064
Attention: Legal Department

with copies to:

Kilroy Realty Corporation
12200 West Olympic Boulevard, Suite 200
Los Angeles, California 90064
Attention: Mr. John Fucci

and

Kilroy Realty, L.P.
12270 El Camino Real, Suite 250
San Diego, California 92130
Attention: Mr. Nelson Ackerly

and

Allen Matkins Leck Gamble Mallory & Natsis LLP
1901 Avenue of the Stars, Suite 1800
Los Angeles, California 90067
Attention: Anton N. Natsis, Esq.
And, for sustainability-related notices only:

Kilroy Realty Corporation
12200 West Olympic Boulevard, Suite 200
Los Angeles, California 90064
Attention: Sara Neff, SVP, Sustainability

To Tenant: ACADIA Pharmaceuticals Inc.
3611 Valley Center Drive, Suite 400
San Diego, California 92130
Attention: Lynne Buhl
Telephone Number: (858) 320-8643
E-mail: lbuhl@ACADIA-pharm.com
(*Prior to Lease Commencement Date*)

with a copy to:

ACADIA Pharmaceuticals Inc.
3611 Valley Center Drive, Suite 400
San Diego, California 92130
Attention: Austin Kim, Esq.
Telephone Number: (858) 202-7599
E-mail: akim@ACADIA-pharm.com
(*Prior to Lease Commencement Date*)

And:

ACADIA Pharmaceuticals Inc.
12830 El Camino Real, Suite 500
San Diego, California 92130
Attention: Lynne Buhl
Telephone Number: (858) 320-8643
E-mail: lbuhl@ACADIA-pharm.com
(*After Lease Commencement Date*)

with a copy to:

ACADIA Pharmaceuticals Inc.
12830 El Camino Real, Suite 500
San Diego, California 92130
Attention: Austin Kim, Esq.
Telephone Number: (858) 202-7599
E-mail: akim@ACADIA-pharm.com
(After Lease Commencement Date)

9. **Security Deposit**. The terms of Section 5 of the Sublease shall not apply to this Lease, there being no security deposit obligation of Tenant in connection with this Lease.

10. **Brokers**. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, and that they know of no real estate broker or agent other than Savills Studley, Inc. (representing Tenant) and Cushman & Wakefield (representing Landlord) (collectively, the "**Brokers**") who is entitled to a commission in connection with this Lease. Landlord shall pay the Brokers in connection with this Lease pursuant to a separate commission agreement. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with

any other real estate broker or agent (i.e., other than the Brokers). The terms of this Section 10 shall survive the expiration or earlier termination of this Lease.

11. **Prohibited Persons; Foreign Corrupt Practices Act and Anti-Money Laundering**. Neither Tenant nor any of its affiliates, nor any of their respective members, partners or other equity holders known to Tenant, and none of their respective officers, directors or managers is, nor prior to or during the Lease Term, will they become a person or entity with whom U.S. persons or entities are restricted from doing business under (a) the Patriot Act (as defined below), (b) any other requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of the Treasury ("**OFAC**") (including any "blocked" person or entity listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and any modifications thereto or thereof or any other person or entity named on OFAC's Specially Designated Blocked Persons List) or (c) any other U.S. statute, Executive Order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action (collectively, "**Prohibited Persons**"). Prior to and during the Second Extended Term, Tenant, and to Tenant's knowledge, its employees and any person acting on its behalf have at all times fully complied with, and are currently in full compliance with, the Foreign Corrupt Practices Act of 1977 and any other applicable anti-bribery or anti-corruption laws. Tenant is not entering into this Lease, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering. As used herein, "**Patriot Act**" shall mean the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) and all other statutes, orders, rules and regulations of the U.S. government and its various executive departments, agencies and offices interpreting and implementing the Patriot Act.

12. **Signatures**. The parties hereto consent and agree that this Lease may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (1) to the extent a party signs this Lease using electronic signature technology, by clicking "SIGN", such party is signing Lease electronically, and (2) the electronic signatures appearing on this Lease shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

13. **Conflict; No Further Modification**. In the event of any conflict between the Sublease (incorporating the applicable provisions of the Master Lease) and this Lease, the terms and provisions of this Lease shall prevail. Except as specifically set forth in this Lease, all of the terms and provisions of the Sublease (incorporating the applicable provisions of the Master Lease) shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, this Lease has been executed as of the day and year first above written.

"**LANDLORD**"

KILROY REALTY, L.P.,
a Delaware limited partnership

By:KILROY REALTY CORPORATION,
yland corporation,
general partner

By:

Name:

Its:

By:

Name:

Its:

"**TENANT**"

ACADIA PHARMACEUTICALS INC.,
a Delaware corporation

By:

Name:

Its:

By:

Name:

Its:

OFFICE LEASE
KILROY REALTY

ONE PASEO

KILROY REALTY, L.P.,

a Delaware limited partnership,

as Landlord,

and

ACACIA PHARMACEUTICALS INC.,

a Delaware corporation,

as Tenant.

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List of Subsidiaries

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION
ACADIA Pharmaceuticals A/S	Denmark
ACADIA Pharmaceuticals GmbH	Switzerland
ACADIA Pharma Limited	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

(1) Registration Statements (Form S-3 Nos. 333-171722, 333-185639, 333-210571, and 333-228546) of ACADIA Pharmaceuticals Inc.,
(2) Registration Statement (Form S-8 No. 333-115956) pertaining to the 1997 Stock Option Plan, 2004 Equity Incentive Plan, and 2004 Employee Stock Purchase Plan of ACADIA Pharmaceuticals Inc.,
(3) Registration Statements (Form S-8 Nos. 333-128290, 333-137557, 333-146398, 333-153346, and 333-161057) pertaining to the 2004 Equity Incentive Plan and 2004 Employee Stock Purchase Plan of ACADIA Pharmaceuticals Inc.,
(4) Registration Statements (Form S-8 Nos. 333-168667, 333-190400 and 333-213109) pertaining to the 2010 Equity Incentive Plan and the 2004 Employee Stock Purchase Plan of ACADIA Pharmaceuticals Inc.,
(5) Registration Statements (Form S-8 Nos. 333-176212, 333-183151 and 333-197872) pertaining to the 2004 Employee Stock Purchase Plan of ACADIA Pharmaceuticals Inc., and
(6) Registration Statements (Form S-8 Nos. 333-207971, 333-219785, and 333-226834) pertaining to the 2010 Equity Incentive Plan of ACADIA Pharmaceuticals Inc.;

of our reports dated February 26, 2019, with respect to the consolidated financial statements and schedule of ACADIA Pharmaceuticals Inc. and the effectiveness of internal control over financial reporting of ACADIA Pharmaceuticals Inc. included in this Annual Report (Form 10-K) of ACADIA Pharmaceuticals Inc. for the year ended December 31, 2018.

/s/ Ernst & Young LLP

San Diego, California
February 26, 2019

EXHIBIT 31.1

CERTIFICATION
Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen Davis, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2018 of ACADIA Pharmaceuticals Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: February 26, 2019

/s/ STEPHEN DAVIS

Stephen Davis
Chief Executive Officer
(Registrant's Principal Executive and 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 Annual Report of ACADIA Pharmaceuticals Inc. (the "Company") on Form 10-K for the period ended December 31, 2018, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Stephen Davis, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Report and results of operations of the Company for the period covered by the Report.

Date: February 26, 2019

/s/ STEPHEN DAVIS
Stephen Davis
Chief Executive Officer
(Registrant's Principal Executive and Financial Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.