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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the fiscal year ended December 31, 2013

☐ **TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the transition period from to

Commission File Number: 333-178082

XENETIC BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

Nevada	**45-2952962**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

99 Hayden Ave, Suite 230
Lexington, Massachusetts 02421
(Address of principal executive offices and zip code)
781-778-7720
(Registrant's telephone number, including area code)

Title of Each Class	**Name of Each Exchange on Which Registered**
None	**None**

Securities registered pursuant to Section 12(b) of the Act:
None
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 Section 15(d) of the Act: 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes ☒ No ☐
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of 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: Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

(Do not check if a smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2): Yes ☐ No ☒

The approximate aggregate market value of voting common stock held by non-affiliates of the registrant, based upon the last sale price of the registrant's common stock on the last business day of the registrant's most recently completed second fiscal quarter June 30, 2013 (based upon the shares of common stock at the closing sale price of the registrant's common stock listed as reported on the OTC Bulletin Board), was approximately $700,000. Note, however, that this was prior to the Acquisition described herein.

As of April 15, 2014 the number of outstanding shares of the registrant's common stock was 146,740,692.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a proxy statement pursuant to Regulation 14A or a Form 10-K/A, not later than 120 days after the close of the fiscal year ended December 31, 2013. Portions of such proxy statement or Form 10-K/A are incorporated by reference into Part III of this Annual Report on Form 10-K.

XENETIC BIOSCIENCES, INC.
2013 ANNUAL REPORT ON FORM 10-K

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains both historical and forward-looking statements. The forward-looking statements in this annual report are not based on historical facts, but rather reflect the current expectations of our management concerning future results and events. These forward-looking statements include, but are not limited to, statements concerning our plans to continue the development of our proposed drug candidates; our expectations regarding the nature, timing and extent of clinical trials and proposed clinical trials; our expectations regarding the timing for proposed submissions of regulatory filings, including but not limited to any Investigational New Drug ("IND") filing or any new drug application ("NDA"); the nature, timing and extent of collaboration arrangements; the expected results pursuant to collaboration arrangements including the receipts of future payments that may arise pursuant to collaboration arrangements; the outcome of our plans to obtain regulatory approval of our drug candidates; the outcome of our plans for the commercialization of our drug candidates; our plans to address certain markets, engage third party manufacturers, and evaluate additional drug candidates for subsequent commercial development, and the likelihood and extent of competition to our drug candidates.

In some cases, these statements may be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", or "continue", or the negative of such terms and other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, we cannot guarantee future results, the levels of activity, performance or achievements. These statements involve known and unknown risks and uncertainties that may cause our or our industry's results, levels of activity, performance or achievements to be materially different from those expressed or implied by forward-looking statements.

The Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") should be read together with our financial statements and related notes included elsewhere in this annual report. This annual report, including the MD&A, contains trend analysis and other forward-looking statements. Any statements in this annual report that are not statements of historical facts are forward-looking statements. These forward-looking statements made herein are based on our current expectations, involve a number of risks and uncertainties and should not be considered as guarantees of future performance.

The single most pressing factor that could cause actual results to differ materially and adversely is our need to raise additional working capital for the purpose of further developing our various drug candidates.

Other factors that could cause actual results to differ materially include without limitation:

- our ability to finance our business;
- our ability to achieve milestone and other payments associated with our co-development collaborations and strategic arrangements;
- the impact of new technologies on our drug candidates and our competition;
- changes in laws or regulations of governmental agencies;
- interruptions or cancellation of existing contracts;
- impact of competitive products and pricing;
- product demand and market acceptance and risks;
- the presence of competitors with greater financial resources;
- product development and commercialization risks;
- continued availability of supplies or materials used in manufacturing at the current prices;
- the ability of management to execute plans and motivate personnel in the execution of those plans;
- adverse publicity related to our products or the Company (as defined below) itself;
- adverse claims relating to our Intellectual Property ("IP");
- the adoption of new, or changes in, accounting principles;

- the costs inherent with complying with new statutes and regulations applicable to public reporting companies, such as the Sarbanes-Oxley Act of 2002; and
- other new lines of business that the Company may enter in the future

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the forward-looking statements in this annual report. Other unknown or unpredictable factors also could have material adverse effects on our future results. The forward-looking statements in this annual report are made only as of the date of this annual report, and we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances. Please also refer to Item 1A - Risk Factors in this Annual Report on Form 10-K.

PART I

ITEM 1 – BUSINESS

Trademarks

Xenetic Biosciences, Inc.'s brand and product names, including but not limited to PolyXen®, OncoHist™ and ImuXen® contained in this document are trademarks, registered trademarks or service marks of Xenetic Biosciences, Inc. and or its subsidiaries in the United States of America ("USA" or "US") and certain other countries. This document contains references to trademarks and service marks of other companies that are the property of their respective owners.

Recent Developments

Significant Transaction

In advance of and in anticipation of completion of the following significant transaction, described below, the registrant, formerly known as General Sales and Leasing, Inc., a Nevada corporation incorporation in 2011, changed its name to Xenetic Biosciences, Inc., as previously reported in its Quarterly Report filed on Form 10-Q filed on January 10, 2014. On January 23, 2014 Xenetic Biosciences, Inc. (the "Company") acquired all of the issued and outstanding capital stock of Xenetic Biosciences plc ("Xenetic UK"), a company incorporated in England and Wales under the Companies Act of 1985 in 1996. The Company's acquisition of Xenetic UK (the "Acquisition") was consummated pursuant to a written plan, known as a Scheme of Arrangement, under Part 26 of the Companies Act 2006 of England and Wales (the "Scheme") dated as of November 21, 2013. The Scheme was approved by Order of the High Court of Justice, Chancery Division, in London (the "Court") on January 23, 2014. In its ruling, the Court considered the fairness of the transaction and determined that the terms and conditions of the issuance of new shares of common stock of the Company in exchange for the issued and outstanding shares of Xenetic UK were fair. Accordingly, the new shares of common stock of the Company issued as part of the Acquisition are "Exempted Securities" under Section 3(a)(10) of the Securities Act of 1933, as amended (the "Securities Act"). Pursuant to the Scheme, the Company exchanged 56 new shares of Company common stock for every whole 175 shares of Xenetic UK capital stock. This transaction resulted in Xenetic UK becoming a wholly owned subsidiary of the Company.

As a result of the Acquisition the holders of all of the capital stock of Xenetic UK immediately prior to the closing of the Acquisition exchanged their shares for a total of 132,545,504 newly issued shares of the Company's common stock.

An Agreement of Conveyance, Transfer and Assignment of Subsidiaries and Assumption of Obligations, previously executed on November 21, 2013 (the "Hive Out Agreement"), became effective upon closing of the Acquisition. Under the terms of the Hive Out Agreement, ten million shares of the Company's common stock held by General Sales & Leasing, Inc.'s former controlling shareholder, Oxbridge Technology Partners SA ("Oxbridge"), were canceled and returned to treasury. In exchange, Oxbridge acquired all issued and outstanding shares of both of our former operating subsidiaries, Shift It Media Co. and General Aircraft, Inc. In addition, Oxbridge has assumed any and all liabilities connected with the business being transferred and has indemnified the Company for any losses arising out of such liabilities. The Hive Out Agreement also required a payment to Oxbridge in the amount of US dollars ("$") 430,000. The $430,000 payment was made shortly after the closing of the Acquisition. As a result of the Hive Out Agreement, the Company's assets, liabilities, and continuing operations are now exclusively those of Xenetic UK.

Immediately following the Acquisition, there were 136,045,504 shares of the Company's common stock issued.

There were 13.5 million shares of the Company's common stock outstanding immediately before giving effect to the stock issuances in the Acquisition and the cancellation of ten million shares previously held by our largest shareholder, Oxbridge pursuant to the Hive Out Agreement. Immediately after the occurrence of these events, the common shares of the Company were as follows:

Held by:	Number of shares
Former Xenetic UK shareholders	132,545,504
Existing shareholders of the Company	3,500,000
	136,045,504

As of the date of the Scheme through the date of closing of the Acquisition, there were no material relationships between the Company or any of its affiliates and Xenetic UK, other than with regard to the Acquisition.

The foregoing description of the Acquisition and the Hive Out Agreement does not purport to be complete and is qualified in its entirety by reference to the complete text of the Court Order, Scheme and the Hive Out Agreement incorporated herein by reference to Exhibits 9.1 and 9.3 to this Report on Form 10-K.

General Changes Resulting from the Acquisition

The Company intends to carry on the business of Xenetic UK as its sole line of business. The former sole officer and director of the Company, Ari Nagler, resigned in January 2014. Upon completion of the Acquisition, the new officers and directors of the Company were comprised of certain of the officers and directors of Xenetic UK. The Company has relocated its principal executive offices to the Ledgemont Research Center at 99 Hayden Ave., Suite 230, Lexington, Massachusetts 02421. The Company's telephone number is now 781-778-7720 and its website is www.xeneticbio.com. The Company has changed its fiscal year end from August 31 to December 31.

The financial statements contained in this Annual Report filed on Form 10-K reflect the financial position and the results of operations of Xenetic UK as of December 31, 2013 and 2012 and for the years then ended prepared in accordance with accounting standards generally accepted in the USA ("US GAAP").

Stock Purchase Agreement

On January 29, 2014 the Company entered into a stock purchase agreement (the "Purchase Agreement") with Baxter Healthcare SA ("Baxter SA"), pursuant to which the Company sold to Baxter SA 10,695,187 shares of the Company's common stock, par value $0.01 per share (the "Shares") for $10 million (the "Purchase Price") which is filed as Exhibit 10.8 to this Annual Report on Form 10-K and incorporated herein by reference.

Pursuant to the Purchase Agreement, Baxter SA agreed that until the earlier of (i) three months after the effective date of a listing of the Company's common stock on the NASDAQ Stock Market or (ii) January 29, 2015 (such earlier date, the "Lock-Up Expiration Date"), Baxter SA would not assign, transfer, sell or dispose of the Shares to any party other than a wholly owned subsidiary. In addition, Baxter SA agreed that until the 12 month anniversary of the Lock-Up Expiration Date, it would not sell or offer to sell any shares of the Company's common stock in an amount that would exceed 15% of the daily trading volume of Company's common stock on the principal market or exchange on which the shares of Company's common stock are traded, and in no event would Baxter SA sell or offer to sell more than 15% of the Shares in any one month period.

The Shares were sold in a private placement and were not registered under the Securities Act, or the securities laws of any state, and were offered and sold in reliance on the exemption from registration afforded by Section 4(a)(2) and Regulation D (Rule 506) under the Securities Act and corresponding provisions of state securities laws, which exempt transactions by an issuer not involving any public offering. Baxter SA is an "Accredited Investor" as such term is defined in Regulation D promulgated under the Securities Act. For a further discussion of the Purchase Agreement please refer to "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Recent Sales of Unregistered Securities" in this Annual Report filed on Form 10-K.

Overview of Business

As discussed in "Recent Developments", above, in this Annual Report filed on Form 10-K, the Company is now carrying on the business of Xenetic UK as its sole line of business. Xenetic UK, and now therefore, the Company, is a clinical stage biopharmaceutical company that is focused on the research and development of certain pharmaceutical products for use in humans that incorporate the use of its patented and proprietary platform technologies that we believe will enable the creation of novel and next generation drug therapies primarily for orphan indications.

We hold US and international patents and other proprietary rights to three distinct platform technologies that are designed to treat a variety of indications with potential use advantages over competing products.

The Company's three distinct technologies are summarized below:

PolyXen®	An enabling technology that utilizes Polysialic Acid ("PSA"), a biopolymer, a chain of sialic acids which is a natural constituent of the human body. PSA is designed to extend the half-life in circulation in the human body for a variety of existing drug molecules and, thereby, to create potentially superior next generation drug candidates.
OncoHist™	A novel therapeutic platform that utilizes the properties of the human histone H1.3 ("H1.3") for the development of drug candidates for the treatment of a broad range of cancer indications. OncoHist™, unlike many competing oncology therapies, is based on a molecule occurring naturally in the human body, in the cell nucleus, and is therefore expected to be less toxic and immunogenetic than other oncology therapies.
ImuXen®	A novel liposomal co-entrapment encapsulation technology designed to create new vaccines and improve the use and efficacy of certain existing vaccines for use in the human body. The technology is based on the co-entrapment of the nominated antigen(s) in a liposomal vesicle, a design that is intended to maximize both cell and immune system mediated responses.

All of the Company's drug candidates are in the development stage and none has yet received regulatory approval for marketing in the US by the U.S. Food and Drug Administration (the "FDA") or by any other applicable agencies in other countries.

First formed in 1997 as a spin out from University College London School of Pharmacy, Xenetic UK's laboratories were based in London, England, until November 2013. The Company made its first move towards the US when, in early 2013, it committed to set up a Drug Development Centre of Excellence in the Boston area, a decision that resulted in the physical relocation of its scientific level of effort to the recently opened laboratories in Lexington, Massachusetts. The next pivotal stage of corporate advancement was concluded in January 2014 as a consequence of the successful completion of the reverse merger noted previously under "Significant Transaction" in Item 1 of this Annual Report filed on Form 10-K which resulted in the full transition to the US of the Company's headquarters and public trading on the Over-the-Counter Bulletin Board ("OTCBB"). The Company believes that it will be better able to attract and retain qualified scientific researchers and other staff in its new Lexington location due to the Boston area having a wealth of talent in orphan drug development and market launch expertise.

Our Business Strategy

The Company intends to advance the clinical development of its drug candidates through a combination of conducting its own in-house research and through the use of the outside services of contract manufacturing and research organizations. In addition, the advancement of its drug candidates is dependent, in part, on several important co-development collaborations and strategic arrangements. Together with its collaborative associates, Baxter Healthcare SA and Baxter Healthcare Corporation (together referred to as "Baxter"), SynBio LLC ("SynBio"), a Russian pharmaceutical company and significant shareholder in the Company, OJSC ("Open Joint Stock Company") Pharmsynthez ("Pharmsynthez"), a Russian pharmaceutical company and Serum Institute of India Limited ("Serum Institute"), one of India's largest biotech companies and a shareholder in the Company, the Company is focused on developing its pipeline of next generation bio-therapeutics and novel orphan drugs in oncology based on the Company's PolyXen®, OncoHist™ and ImuXen® technology platforms.

The Company's strategy is to develop its orphan drug candidates through to market launch. The Company plans to bring its orphan candidates to full and final regulatory approval and commercialization. For the non-orphan drugs vested in its pipeline via the collaborations, eg. ErepoXen®, the Company will develop to a stage that will enable it to seek profitable out-licensing arrangements with major pharmaceutical companies for further development and eventual commercialization, in exchange for milestone payments and royalties from product sales. Its collaborative out-licensing agreements relating to the platforms are an integral part of its early-stage monetization strategy.

Even with regard to its strategy of current and planned future co-development collaborations and out-licensing, the Company must raise significant additional capital in order to develop its drug candidates to the point of commercialization. The Company will be evaluating with the board when to seek additional financing to raise additional working capital to pursue its business strategy. Although the Company is optimistic, there can be no assurance that it will be successful in raising additional working capital in the future. If not successful, the Company's business could be adversely affected.

Reliance on Principal Customer

Since August 2005, Baxter has been a principal customer of the Company, accounting for the substantial portion of the Company's revenue, through up-front payments and fee for services. Please refer to the agreement with Baxter under the caption "Significant Co-Development Collaborations and Strategic Arrangements" below for further information regarding the importance of the Company's relationship with Baxter.

Our Technologies

PolyXen®

PolyXen® is a platform technology based on the concept of polysialylation. PSA is a polymer chain composed of sialic acids linked together. Sialic acid is found on the external membrane of a number of cell types in the body. In addition, it is a natural component expressed on the external membrane on a number of bacterial types. The chain of sialic acid molecules can be anywhere from 4 to over 200 individual sialic acid molecules in length. The Company uses the linear form of PSA called colominic acid. It is a natural, hydrophilic polymer isolated from a bacterial strain of E. coli K1. This natural glycan is negatively charged, non-toxic and is biodegradable. The PSA chain is extensively purified from large-scale bacterial cultures under Current Good Manufacturing Practices ("cGMP") conditions, modified to specified sizes and then attached to defined sites on the therapeutic. Both the site of attachment and the length of the PSA chain can enhance the properties of the therapeutic.

The major effect of PSA addition to a therapeutic is to change the apparent hydrodynamic radius of the molecule. This physical alteration then changes a number of the biological characteristics of the therapeutic.

The most noticeable, and perhaps the most relevant, is an extension of the lifetime of the therapeutic in blood circulation. This is due to the increase in the size of the drug which results in a decrease in the clearance rate of the molecule in the kidney by glomerular filtration. In addition, studies have shown changes in other biological characteristics such as protease sensitivity and temperature sensitivity. An added benefit is that the conjugated molecules are less viscous in solution than comparable other technologies, providing the potential for easier injections and fewer injection site reactions. Furthermore, we believe that utilizing PSA to an existing marketed drug may allow for patent extension, thereby potentially creating a patent-protected next generation candidate.

The current standard for certain biologic delivery agents is methyl Polyethylene Glycol ("PEG") which is attached similarly to therapeutics. The mode of action between PSA and PEG is similar, increasing the apparent size of the molecule and thereby increasing the circulating time of the drug in the blood. PEGylation is a proven technology that can offer advantages in terms of pharmacokinetics and pharmacodynamics for therapeutics over non-modified, first generation molecules. There are a number of PEG modified molecules on the market, in clinical trials and under development. However, PEGylation is deemed to have limitations. It is not biodegradable and can accumulate intracellularly, leading to potential vacuole formation in the cells at high doses. PSA is a chain of sialic acids which is a natural constituent of the human body. PSA is biodegradable into individual sialic acid units. In addition, PEG in many cases has been shown to be immunogenic when coupled to proteins and can activate the complement system, as well as, showing limitations on particular molecules. Polysialylation has to date been shown to be non-immunogenic as well as demonstrating greater versatility and fewer limitations on early-stage development relative to PEG. We believe PSA may provide the advantages of PEG without its disadvantages, offering a potential advance over PEG molecules.

OncoHist™

OncoHist™ is based on research covered under our patent portfolio related to novel functions of histones. Histone H1 has strong anti-proliferative properties against cancer cells of different histological origin. This has been demonstrated extensively for hematologic malignancies, such as leukemias, lymphomas, and myelomas, and also for tumors from other tissues. Susceptibility of cells to the cytotoxic effect of histones is determined by the ability of histone H1 to selectively destabilize the tumor cell membrane, which results in cell death.

A novel form of the molecule was developed by the Company and a patent filed for the protection of the new chemical entity, N-bis-met-histone 1.3 (OncoHist™) in use against cancer, providing patent protection at least until 2027. The activity of the new molecule was tested on 58 tumor cell lines derived from various tissues. Hematopoietic tumor cell lines were found to be among the most sensitive cell lines. The mechanism of action appears to be novel, involves the binding of OncoHist™ to the cell membrane and is completely different than that of other therapeutic agents on the market for hematopoietic cancers. Confirmatory work on this mode of action with more detailed analyses is being conducted by Dana-Farber Cancer Institute ("Dana-Farber"). Hematopoietic tumor lines resistant to current chemotherapeutic agents have still been sensitive to OncoHist™.

In research work, the compound was tested at the National Cancer Institute in 60 human cancer cell lines from different tissue samples and showed high cytotoxic efficacy throughout, which would suggest a broad acting oncolytic potential. OncoHist™'s potency and potential to inhibit growth of cells from various histological origins were confirmed through in-vitro testing against the US National Cancer Institute 60 ("NCI-60"). OncoHist™ was awarded orphan drug designation (Orphan Medicinal Product Designation ("OMPD")) for treatment of Acute Myeloid Leukemia ("AML") by the European Commission in December 2007 and by the FDA in October 2008. OncoHist™ was awarded an additional OMPD status for Acute Lymphocytic Leukemia ("ALL") by the European Medicines Agency (the "EMA").

A Phase I-II trial to evaluate the safety and tolerability of OncoHist™ was conducted in 2008 at Saarland University, in Germany with 22 AML patients. Tolerability and safety results were favorable with indications of the drug being immunologically safe. Clinical effects were noted in seven patients with three partial remissions. Most notably, two patients who had received two treatment cycles each experienced stabilization of their disease for 7 and 17 months.

A clinical trial with 120 AML patients has been started in clinical centers in the Russian Federation. The aim of this trial is to examine the potential benefits of OncoHist™ in combination with standard therapy: cytarabine with mitoxantrone ("HAM"). An additional Non-Hodgkins Lymphoma ("NHL") trial has also been initiated in Russia. As an integral part of the Company's strategy, we await later stage clinical data on NHL to determine whether to progress this candidate into US FDA trials.

ImuXen®

ImuXen® is a patented platform technology based on the concept of simultaneous delivery of multiple Active Pharmaceutical Ingredients ("APIs") as antigens with the same liposome. The liposomes are composed of lipids that encapsulate an aqueous core. The APIs can be trapped in the core, be associated with the lipids, or both. Proteins, peptides, nucleic acids, polysaccharides and live or inactivated infectious agents can all be used as an API with the same liposome. Both the size and the lipid composition can be controlled which affects the biological properties of the liposome. Manufacturing involves the passive entrapment of the vaccine APIs by freeze drying commercially available liposomes with the antigens of interest. When the material is rehydrated it yields liposomes with the entrapped APIs.

Having multiple APIs formulated with the same liposome allows simultaneous delivery of the antigens to the same antigen presenting cell. This may allow a more efficient immune response to all the agents presented. In addition, it is possible that multiple vaccines can be delivered with a single injection. Relevant pre-clinical studies have shown a reduction in the dose required, a reduction in the number of doses required and a faster immune response time. This efficient immune response also may allow for use of antigens that traditionally give a poor antibody response.

A Phase I/II clinical trial to treat Relapsing Remitting Multiple Sclerosis ("RRMS") and Secondary Progressive Multiple Sclerosis ("SPMS") is in progress in the Russian Federation. Peptides corresponding to antigenic sections of basic myelin protein were encapsulated within liposomes to be used as the therapeutic agent (MyeloXen™). Administration of MyeloXen™ to patients has occurred and follow-up monitoring is in progress. As an integral part of the Company's strategy, we await later stage clinical data on MyeloXen™ to determine whether to progress this candidate into US FDA trials.

Significant Co-Development Collaborations and Strategic Arrangements:

Baxter Healthcare SA and Baxter Healthcare Corporation

In August 2005, the Company entered into an exclusive research, development and license agreement (the "Baxter Agreement") with Baxter pursuant to which the Company has granted to Baxter a worldwide, exclusive, royalty bearing license to the Company's PSA patented and proprietary technology in combination with Baxter's proprietary molecules designed for the treatment of blood and bleeding disorders. The Baxter Agreement represents a significant arrangement for the Company. The Baxter Agreement has been amended six times since 2005 with the latest amendment being effective in January 2014.

Since 2010, Baxter has conducted all research activities under the collaboration and Baxter is the party responsible for achieving the research, regulatory and sales milestones.

Under the Baxter Agreement, as amended in January 2014, the Company may be entitled to receive regulatory and sales target receipts (in addition to royalties receivable) for total potential milestone receipts of $100 million, however, the receipt of such milestone receipts is subject to conditions which Baxter may or may not achieve.

Since August 2005, the Company has received approximately $19 million from Baxter that includes milestone receipts, fees for services and a $10 million purchase of common stock of the Company in January 2014. The Company received a non-refundable $1 million payment from Baxter in 2013 which is recognized as revenue for 2013.

The Company received a non-refundable $2 million payment from Baxter in 2010 and granted Baxter warrants to purchase approximately 4.6 million new shares of common stock of the Company in connection with the 2010 amendment to the Baxter Agreement.

Baxter is in the pre-clinical phase of its development effort in connection with this collaboration. Baxter has agreed to meet a number of due diligence milestones under the 2014 amendment relating to: Clinical Trial Authorization submission, Final Clinical Study Report and Biologics License Application ("BLA") submission. There are very limited provisions to further modify the Baxter Agreement. There can be no assurance if or when Baxter will actually achieve any of the due diligence milestones.

SynBio LLC

In August 2011 the Company entered into a stock subscription and collaborative development agreement with SynBio (the "Co-Development Agreement") pursuant to which the Company granted SynBio an exclusive license to develop, market and commercialize certain drug candidates utilizing molecules based on the Company's PolyXen® and OncoHist™ technologies in the Russian market and the Commonwealth of Independent States (the "CIS") (including Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Republic of Moldova, Tajikistan, Turkmenistan and Uzbekistan), collectively the "SynBio Market". In exchange for the Company granting to SynBio those certain license rights, SynBio granted an exclusive license to the Company to use any SynBio pre-clinical and clinical data generated by SynBio, at its own expense, in connection with those development efforts and to engage in the development and commercialization of drug candidates that may arise from the collaboration in any territory outside of Russia and the CIS based upon the Co-Development Agreement.

The Company hopes and expects to mitigate certain technical and commercial risks of drug development by working in collaboration with SynBio. Under the Co-Development Agreement, SynBio is responsible for progressing six new product candidates through human proof of concept trials in Russia as primary validation for the initiation of EMA/FDA clinical trials by the Company. The Co-Development Agreement will operate alongside the current arrangements which the Company has entered into with Pharmsynthez, where a further six product candidates are undergoing clinical development in Russia with the same overall commercial objectives.

The primary goal of the Co-Development Agreement is to research and develop drug candidates for planned commercialization using SynBio and the Company's combined respective expertise and technologies. Drug candidates must meet the success criteria as decided upon by a joint steering committee, which includes representation from both SynBio and the Company, where the Company has the right to appoint the Chair who has the casting vote. Once a potential drug candidate is selected, clinical trials will be separately conducted by each company in their respective territories with the goal to achieve regulatory approval of the products for commercial sale.

SynBio and the Company are responsible for funding and conducting their own research activities. There are no milestones or other research related payments provided for under the Co-Development Agreement other than fees for the provision of each party's respective research supplies based on their technology. For the years ended December 31, 2013 and 2012, the Company has recognized $0 and $100,000 in supply service revenues respectively, in connection with the Co-Development Agreement.

Concurrent with entering into the Co-Development Agreement, the Company entered into a stock subscription agreement with SynBio pursuant to which the Company sold SynBio approximately 35.5 million shares of newly issued common stock for cash of approximately $18.6 million.

Pursuant to the Relationship Deed signed concurrent with the 2011 Co-Development Agreement and subscription, the Company granted SynBio (as Controlling Shareholder) the right to appoint two directors to the extent their shareholding is greater than 40% in the Company. The Relationship Deed of 2011 was replaced in January 2014 with a Director Appointment Agreement (exhibit herewith) containing that same provision. Further undertakings therein state that, as long as the Controlling Shareholder holds more than 25% of the Company's common stock, all transactions and relationships between it and the Company will, (a) be at arm's length and on a normal commercial basis; (b) it will not seek to exercise any day-to-day operational or managerial control over the business of the Company, nor, (c) influence any director or non-executive director in any way in regard to the conduct of the Company's business. The agreement contains further provisions relating, inter alia, to: nominee board appointments, conflicts of interest, acting in good faith and terms of confidentiality.

Serum Institute of India Limited

The Company entered into a license agreement with Serum Institute in December 2004. Since December 2004 the license agreement has been amended several times, most recently during August 2011. The company has also entered into a Development and Manufacturing Agreement ("DMA") with Serum Institute. The DMA was originally entered into in August 2006 and has been amended several times, most recently in August 2011.

The 2011 amendment also modified the original 2006 DMA for the supply of PSA by Serum Institute to the Company and its collaborative partners. Serum Institute will have the non-exclusive right to supply PSA to the Company and the Company's collaborative partners and customers on a cost-plus basis. On an individual basis, Serum Institute may enter into separate supply agreements with the Company and/or its collaborative partners for the purpose of providing a supply of PSA directly to the collaborative partners. Further, any agreement between Serum Institute and a collaborative partner shall not create any obligation or liability for the Company.

Concurrent with the 2011 amendment, the Company granted Serum Institute warrants to purchase 2.4 million shares of common stock of the Company in three tranches of 800,000 shares of common stock each. Serum Institute did not exercise these warrants and they expired during 2013.

In addition, the DMA allows for Serum Institute to nominate a non-executive director to the Board of Directors of the Company as long as Serum Institute or its subsidiaries holds at least 6% of the Company's common stock. Serum Institute presently owns approximately 9.2% of the common stock of the Company.

OJSC Pharmsynthez

In November 2011, the Company entered into a collaborative research and development license agreement with Pharmsynthez (the "Pharmsynthez Arrangement") pursuant to which the Company granted an exclusive license to Pharmsynthez to develop, commercialize and market six product candidates based on the Company's PolyXen® and ImuXen® technology anywhere within Russia and the CIS. In exchange, Pharmsynthez granted an exclusive license to the Company to use any pre-clinical and clinical data developed by Pharmsynthez, within the scope of the Pharmsynthez Arrangement, and to engage in further research, development and commercialization of drug candidates in any territory outside of Russia and the CIS at the Company's own expense.

In accordance with the terms of the Pharmsynthez Arrangement, the Company licensed certain PolyXen® and ImuXen® technology rights for use in Russia and the CIS as well as certain clinical and research data developed by the Company on the six product candidates to Pharmsynthez.

The Company hopes and expects to mitigate certain technical and development risks inherent in clinical trials for new drug candidates by working in close collaboration with Pharmsynthez. Under the agreement, Pharmsynthez is responsible for progressing six new drug candidates through human proof of concept trials in Russia as primary validation prior to the initiation of EMA/FDA clinical trials by the Company outside of Russia. The license agreement will operate alongside the current arrangements which the Company has entered into with SynBio, discussed above.

A joint steering committee where the Company has the right to appoint the Chair who has the casting vote was established to facilitate the communication of scientific data and to assist generally with each party's research decisions and to monitor research and development progress under the Pharmsynthez Arrangement.

Pharmsynthez and the Company are each responsible for funding their own company's research activities. There are no milestone or other research related payments due under the agreement other than fees for each company's respective research supplies based on their technology.

Tabular Summary of Current Stage of Development of the Company's Technologies

PolyXen®

Product Candidate	Indication	Clinical Developer	Country	Program Name/Developmental Stage
ErepoXen®	Anemia	Xenetic	Australia	**PSA-EPO-06**: ICH Compliant Phase II in-process being conducted in Australia
Factor VIII	Hemophilia	Baxter	US	**PSA-FVIII**: Pre-clinical study being conducted by Baxter
ErepoXen®	Anemia	SynBio	Russia	**PSA-EPO-05**: Russian Phase II(a) completed. Russian Phase II(b)/III designed
PulmoXen™	Cystic Fibrosis	Pharmsynthez	Russia	**PMO-CF-01**: Awaiting Russian regulatory approval to commence Phase II clinical trial. Phase I completed.
ErepoXen®	Anemia	Serum Institute	India	**PSA-EPO-03**: Phase II(a) intravenous human clinical trials conducted in India are ongoing. Subcutaneous Phase II(a) completed.

OncoHist™

Product Candidate	Indication	Clinical Developer	Country	Program Name/Developmental Stage
OncoHist™ AML	Acute Myeloid Leukemia	Xenetic	US	**Onc-AML-01**: Pre-clinical study
OncoHist™ AML	Acute Myeloid Leukemia	SynBio	Russia	**Onc-AML-02**: Russian Phase II
OncoHist™ NHL	Non-Hodgkins Lymphoma	SynBio	Russia	**Onc-NHL-01**: Russian Phase II dose ranging studies are completed in Russia

ImuXen®

Product Candidate	Indication	Clinical Developer	Country	Program Name/Developmental Stage
MyeloXen™	Multiple Sclerosis	Pharmsynthez	Russia	**IMU-MS-01**: Entered into Russian Phase I/II(a). Dose ranging phase completed and undergoing dose confirmation studies

Most advanced product candidate in the pipeline: ErepoXen®

The Company's drug candidate that is currently the most advanced in its clinical pipeline is ErepoXen® (polysialylated erythropoietin ("PSA-EPO")) which uses the Company's PolyXen® technology for the treatment of anemia in Chronic Kidney Disease ("CKD") patients. This candidate has been a co-development project with our long established strategic partner, Serum Institute, and is in human Phase II(a) clinical trials in India for intravenous administration in patients on dialysis in parallel with similar trials in India for subcutaneous administration for patients not on dialysis which has completed Phase II(a).

The product strategy for ErepoXen®, being a potentially mainstream drug addressing a substantial global market, includes seeking an out-license arrangement for the continuing development of ErepoXen® as either a Phase II(b) or Phase III candidate with a well-capitalized license partner more experienced at taking drug candidates through the latter stages of human clinical trials and better able to execute a global market launch. If successful, this strategy could:

(a) be the beginning of the monetization of the Company's IP investment to date in ErepoXen® by way of an upfront license payment plus milestone payments as the product is advanced through the clinic; and

(b) potentially reduce the timeline for incoming royalty revenues if ErepoXen® is taken to market by an already leading provider with an established market presence.

The ErepoXen® strategy, when implemented, should have the effect of decreasing demands on the Company's own financial and working capital resources, allowing those resources to be applied towards the in-house development and marketing of new orphan and rare disease candidates where the Company is better able to maintain financial and clinical control throughout the process from pre-clinical development, through IND filing, human clinical trials, and potentially market approval and product launch.

In addition, ErepoXen® has also received regulatory approval to enter Phase II(b)/III human clinical trials in Russia. The Company expects SynBio (one of its Russian co-development partners) to enter the commercialization and marketing stage of ErepoXen® in the Russian and CIS markets as the first market launch for a PSA candidate.

Second most advanced product candidate in the pipeline: OncoHist™

The Company's second most advanced drug candidate is OncoHist™ AML. Further development of OncoHist™ is the 2014 priority for the Company in the US. The Company expects to be able to utilize clinical material that is currently being supplied to it by SynBio for use in pre-clinical toxicity studies that are expected to be completed in the first half of 2014. In addition, the Company is planning to establish a second source supplier of OncoHist™ material suitable for humans in Phase I/II(a) clinical trials under cGMP. We hope to commence clinical trials in the US during the first half of 2015. Certain OncoHist™ data, generated by SynBio, that is available to us for analysis has advanced our understanding of this drug candidate at a reduced cost to the Company when compared to the cost of the Company generating the same data using its own capital.

Other product candidates in the pipeline

The Company believes a group of future drug candidates for additional oncology indications might be able to be developed based on existing and future pre-clinical and clinical data and the same manufacturing and supply under its OncoHist™ AML program. Specifically, we expect to be able to utilize the results from substantially all of our pre-clinical toxicity and other pre-clinical data generated in the development of OncoHist™ AML for a variety of other cancer indications focused on orphan indications while leveraging off the work and expense applied at the front end for cGMP OncoHist™.

We also believe that the platform nature of our technologies should allow us to also pursue additional indications from existing and future scientific data to be developed under our PolyXen® and ImuXen® technology programs.

Research and Development Programs

PSA-EPO-06: Xenetic ErepoXen® Clinical Trial

This is an International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use ("ICH") compliant Phase II open label clinical, sequential multiple dose finding study for subcutaneously administered PSA-EPO in CKD patients not on dialysis and not receiving erythropoiesis stimulating agents. It is being conducted in Australia and New Zealand. Patients with hemoglobin levels between 8 and 10 grams per deciliter ("g/dL") are given the drug candidate once every two weeks. If the hemoglobin level increases to between 10 and 12 g/dL the patient is moved to once every four week administration. The response of the first cohort of patients to the lowest dose is evaluated. The endpoint is to determine the dose of PSA-EPO that is safe and will move the patient's hemoglobin level into the 10 to 12 g/dL range. We expect to have first interim reporting in the second half of 2014 with second interim reporting by the end of 2014 or the beginning of 2015. The costs for this trial are being borne by the Company. Costs will be dependent on how many cohorts will have to be treated. Estimated time to completion is one year from the current date. Clinical material was manufactured for the Company by Serum Institute. The trial is being run by Novotech Pty Limited ("Novotech") of Australia.

PSA-FVIII: Baxter Factor VIII Pre-Clinical Program

PSA-recombinant Factor VIII has been developed as a long acting therapeutic to treat hemophilia. Baxter is running this program, which is in the pre-clinical study phase. Baxter has agreed to meet strict due diligence time milestones based on: Clinical Trial Authorization submission in respect of Phase I/II clinical trials, Final Clinical Study Report Phase I/II and BLA submission all by fixed dates per the contract. The total cost of this program is being borne by Baxter. There can be no assurance if or when Baxter will actually achieve any of these due diligence milestones.

PSA-EPO-05: SynBio ErepoXen® (Epolong) Clinical Trial

This is a Phase IIb/III open label clinical, sequential multiple dose finding study for subcutaneously administered PSA-EPO in CKD patients not on dialysis and not receiving erythropoiesis stimulating agents. Patients will be compared to a control arm with Aranesp® (darbepoetin alfa). The study is being conducted in the Russian Federation and has three groups. All three groups have to have an initial hemoglobin level of between 8 and 10 g/dL. Group 1 patients receive the comparative drug, Aranesp® once every two weeks throughout the study period of 24 weeks. Group 2 patients receive PSA-EPO once every two weeks throughout the study period unless the hemoglobin level goes above 12 g/dL. Group 3 patients receive PSA-EPO every two weeks until their hemoglobin levels are between 10 and 12 g/dL. Group 3 patients then receive PSA-EPO every four weeks. The starting dose for both clinical drugs is the lowest dose level. Dose adjustment, either up or down depending on patient response, occurs every four weeks. The trial is currently in progress. The total cost for this clinical trial is being borne by SynBio. The clinical material was manufactured by Serum Institute. The clinical trial is being run by OCT-Clinical Trials ("OCT") of Russia.

PMO-CF-01: Pharmsynthez PulmoXen™ Clinical Trial

This is a Phase I(a) open label two dose safety study for inhaled PSA-DNase 1 in Cystic Fibrosis ("CF") patients and has been completed and reported on April 7, 2014. The study is being conducted in Russia. Six healthy volunteers per dose level inhaled a single dose of PulmoXen™ and then were examined for lung function and adverse events. Two dose levels were performed. No adverse events were reported and lung function was reported to be normal. Clinical trials with CF patients are in the planning stage. The total cost of the trial is being borne by Pharmsynthez. The trial is being run by OCT of Russia.

If and when satisfactory clinical patient data comes out of this collaboration that provides the Company a level of comfort that the drug candidate is safe and efficacious, the Company will pursue its own development program for this candidate. However, the Company would have to raise additional capital to pursue its own development of this drug candidate.

PSA-EPO-03: Serum Institute ErepoXen® Clinical Trial

This is a Phase II(a) open label clinical, sequential single dose finding study for intravenously administered PSA-EPO for CKD patients who are on dialysis. This intravenous trial follows the successful completion of two subcutaneous PSA-EPO clinical trials in India. The first was a Phase I single dose range finding study for subcutaneously administered PSA-EPO in healthy volunteers. The second was a Phase II single dose range finding study for subcutaneously administered PSA-EPO in CKD patients not on dialysis. All trials are being conducted in India. Patients with hemoglobin levels less than 11 g/dL are given a single dose of PSA-EPO. The patient's pharmacodynamic, pharmacokinetic and immunogenic parameters are then followed for the next 28 days. Dose levels in escalating form will then be administered. Safety and experimental parameters will be examined at the end of each dosing cohort before moving onto the next level. The first cohort of patients at the lowest dose level has been finished. There were no Serious Adverse Events ("SAEs") attributable to PSA-EPO reported thus far. Initiation of the second cohort of patients at a higher level is in progress. The endpoint of the trial is to determine the maximum tolerated single dose of PSA-EPO. The total cost of the clinical trial is being borne by Serum Institute and the clinical material was manufactured by Serum Institute. The clinical trial is being run by SIRO Clinpharm Pvt. Limited of India.

ONC-AML-01: Xenetic OncoHist™ Clinical Trial

The Company expects to submit an IND filing for Phase I/II(a) clinical trials for AML to the FDA and commence clinical trials during the first half of 2015. We expect this to be an open label increasing dose ranging study to assess the safety, tolerability and efficacy of OncoHist™ both alone and in combination with Ara-C for adult patients with refractory or relapsed AML. This trial will be conducted in the US. Data from the previously completed work by Saarland University's Phase I clinical trial and the SynBio clinical trials will be used to aid in the design of the clinical protocol. Clinical material will be produced by a cGMP compliant manufacturing facility in Belgium that has a record of successful FDA inspections. Selection of the Clinical Research Organization ("CRO") to run the trial is in progress. The costs for the clinical trial are being borne by the Company. The Company will need to raise additional capital to develop this drug candidate through late stage clinical trials and intended market launch. The OncoHist™ technology was acquired as part of the Company's acquisition of SymbioTec GmbH ("SymbioTec") in January 2012 and was valued at $9.6 million as of the acquisition date.

ONC-AML-02: SynBio Arahist-09 Clinical Trial

This is a Phase II open label increasing dose ranging study to assess the safety, tolerability and efficacy of OncoHist™ in combination with HAM in adult patients with refractory or early relapsed AML. This study is being conducted in Russia. Patients are receiving one cycle of HAM regimen (one week) and one cycle of OncoHist™ regimen (three times per week for three weeks). The HAM regimen is based on the standard of care in Russia.

The OncoHist™ regimen is based on the maximum dose used at Saarland University in Phase I clinical trials. This study is ongoing. The total cost of the trial is being borne by SynBio. The clinical material for this OncoHist™ trial was manufactured at the Shemyakin Institute in Moscow for SynBio. The trial is being run by OCT of Russia.

ONC-NHL-01: SynBio Anahoret Clinical Trial

This is a Phase II open label increasing dose ranging study to assess the safety, tolerability and efficacy of OncoHist™ as a single agent in treating NHL. This study is being conducted in Russia. Patients received three infusions weekly with increasing dose levels in weeks two and three up to a maximum dose level of OncoHist™. The trial is ongoing. The total cost of the trial is being borne by SynBio. The clinical OncoHist™ drug was manufactured at the Shemyakin Institute in Moscow for SynBio. The trial is being run by OCT of Russia.

If and when satisfactory clinical patient data comes out of this collaboration that provides the Company a level of comfort that the drug candidate is safe and efficacious, the Company will pursue its own development program for this candidate. However, the Company would have to raise additional capital to pursue its own development of this drug candidate.

IMU-MS-01: Pharmsynthez MyeloXen™ Clinical Trial (Multiple Sclerosis)

This is a Phase I open label clinical sequential dose finding study for subcutaneously administered MyeloXen™ (liposomes containing peptides for basic myelin protein) in healthy volunteers and patients. The study is being conducted in Russia. Six healthy volunteers were given a single subcutaneous low dose of MyeloXen™ with no identified safety concerns noted thus far. Nine Multiple Sclerosis (“MS”) patients were then given weekly, increasing doses of MyeloXen™ to identify the maximum tolerated dose. The dosing was completed and the patients are now being monitored. No safety concerns were identified thus far. An additional 12 patients will next be recruited for multiple doses at the maximum tolerated dose for the third stage of this clinical trial. The total cost for the clinical trial is being borne by Pharmsynthez. The clinical material was manufactured by Pharmsynthez. The clinical trial is being run by OCT of Russia.

If and when satisfactory clinical patient data comes out of this collaboration that provides the Company a level of comfort that the drug candidate is safe and efficacious, the Company will pursue its own development program for this candidate. However, the Company would have to raise additional capital to pursue its own development of this drug candidate.

Patents and Proprietary Rights

The Company currently owns 29 US and 118 foreign patents and over 90 pending patent applications that cover various aspects of our technologies. We have filed patent applications, and plan to file additional patent applications, covering various aspects of our PolyXen® technology platform covering polysialylation and advanced polymer conjugate technologies, as well as proprietary product candidates including ErepoXen® and PulmoXen™. More specifically, our patents and patent applications cover polymer architecture, drug conjugates, formulations, methods of manufacturing polymers and polymer conjugates and methods of administering polymer conjugates. In addition, our patent portfolio contains patents and patent applications that encompass our OncoHist™ technology platform including use of histones for the treatment of different cancers. The OncoHist™ patent portfolio, acquired as part of our acquisition of SymbioTec GmbH in January 2012, includes OncoHist™, a bis-Met histone. Our patent strategy is to file patent applications on innovations and improvements to cover a significant majority of the major pharmaceutical markets in the world. Generally, patents have a term of 20 years from the earliest priority date (assuming all maintenance fees are paid). In some instances, patent terms can be increased or decreased, depending on the laws and regulations of the country or jurisdiction that issued the patent.

We also rely on trade secret protection for our confidential and proprietary information. No assurance can be given that we can meaningfully protect our trade secrets. Others may independently develop substantially equivalent confidential and proprietary information or otherwise gain access to, or disclose, our trade secrets. Thus, while we rely on trade secret protection and other unpatented proprietary rights for important proprietary technologies, any loss of such rights could harm our business, results of operations and financial condition.

In certain situations where we work with drugs covered by one or more patents, our ability to develop and commercialize our technologies may be affected by limitations in our access to these proprietary drugs. Even if we believe we are free to work with a proprietary drug, we cannot guarantee that we will not be accused of, or be determined to be, infringing a third party's rights and be prohibited from working with the drug or found liable for damages. Any such restriction on access or liability for damages would have a material adverse effect on our business, results of operations and financial condition.

The patent positions of pharmaceutical and biotechnology companies, such as ours, are uncertain and involve complex legal and factual issues. There can be no assurance that patents that have issued will be held valid and enforceable in a court of law. Even for patents that are held valid and enforceable, the legal process associated with obtaining such a judgment is time consuming and costly. Additionally, issued patents can be subject to opposition or other proceedings that can result in the revocation of the patent or maintenance of the patent in amended form (and potentially in a form that renders the patent without commercially relevant and/or broad coverage). Further, our competitors may be able to circumvent and otherwise design around our patents. Even if a patent is issued and enforceable, because development and commercialization of pharmaceutical products can be subject to substantial delays, patents may expire early and provide only a short period of protection, if any, following the commercialization of a products encompassed by our patent(s). We may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office, which could result in a loss of the patent and/or substantial cost to us. Further, we understand that if any of our pending patent applications do not issue, or are deemed invalid following issuance, we may lose valuable IP protection.

US and foreign patent rights and other proprietary rights exist that are owned by third parties and relate to pharmaceutical compositions and reagents, medical devices and equipment and methods for preparation, packaging and delivery of pharmaceutical compositions. We cannot predict with any certainty which, if any, of these rights will be considered relevant to our technology by authorities in the various jurisdictions where such rights exist, nor can we predict with certainty which, if any, of these rights will or may be asserted against us by third parties. We could incur substantial costs in defending ourselves and our partners against any such claims. Furthermore, parties making such claims may be able to obtain injunctive or other equitable relief, which could effectively block our ability to develop or commercialize some or all of our products in the US and in other countries and could result in the award of substantial damages. In the event of a claim of infringement, we or our partners may be required to obtain one or more licenses from third parties. There can be no assurance that we can obtain a license to any technology that we determine we require on reasonable terms, if at all, or that we could develop or otherwise obtain alternative technology. The failure to obtain licenses, if required, may have a material adverse effect on our business, results of operations and financial condition. Further, we may not be able to obtain IP licenses related to the development of our drug candidates on a commercially reasonable basis, if at all.

It is our policy to require our employees and consultants, outside scientific collaborators, sponsored researchers and other advisors who receive confidential information from us to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. The agreements provide that all inventions conceived by an employee shall be our property. There can be no assurance, however, that these agreements will provide meaningful protection or adequate remedies for our trade secrets in the event of unauthorized use or disclosure of such information.

Manufacturing and Supply

The Company does not maintain the capability to manufacture its own material necessary to support its drug candidate development programs nor does it intend to acquire such capability as part of its present business strategy. The Company currently has agreements in place with Serum Institute whereby Serum Institute produces clinical materials for use in the development of drug candidates involving our PolyXen® technology. The Company is currently dependent on SynBio for clinical materials with respect to its OncoHist™ AML research programs. The Company is investigating second source alternative suppliers for its clinical materials. There can be no assurance that it will be successful or that if a second source is secured that it would be available on commercially reasonable terms or in a timely fashion should any disruption in supply from Serum Institute or SynBio occur.

Government Regulation

General

The development, testing, manufacture, labeling, marketing, and promotion of any drug, including all of our drug candidates, are subject to extensive regulation in the US by the FDA under the Federal Food, Drug and Cosmetic Act and by other federal, state, local and foreign government laws and regulations including in the UK, Germany, Russia and other countries in which we conduct business.

The NDA Review Process

The steps ordinarily required before a new drug, that is subject to NDA approval, may be marketed in the US include pre-clinical laboratory tests, further relevant testing, formulation studies, the submission to the FDA of an IND filing (which must become effective before clinical testing may commence) and adequate and well controlled clinical trials on human subjects to establish the safety and effectiveness of the drug for each indication for which FDA approval is sought. Satisfaction of FDA pre-market approval requirements typically takes several years and the actual time required may vary substantially based upon the type, complexity and novelty of the product, disease or condition for which the new drug is indicated.

Government regulation may delay or prevent marketing of potential products for a considerable period of time and requires substantial time, effort and financial resources on the part of a manufacturer. Success in early stage clinical trials does not assure success in later stage clinical trials. Data obtained from clinical activities is not always conclusive and may be susceptible to varying interpretations that could delay, limit, or prevent regulatory approval. Even if a product receives regulatory approval, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market.

Pre-clinical tests include laboratory evaluation of product chemistry and formulation, as well as additional relevant trials to assess the potential safety and efficacy of the product. The conduct of the pre-clinical tests and formulation of compounds for testing must comply with federal regulations and requirements. The results of pre-clinical testing are submitted to the FDA as part of an IND.

A 30 day waiting period after the filing of each IND is required prior to the commencement of clinical testing in humans. If the FDA has not commented on or questioned the IND within this 30 day period, clinical trials may begin. If the FDA has comments or questions, the questions must be answered to the satisfaction of the FDA before initial clinical testing can begin. In addition the FDA may, at any time, impose a clinical hold on ongoing clinical trials. If the FDA imposes a clinical hold, clinical trials cannot commence or recommence without FDA authorization and then only under terms authorized by the FDA. In some instances, the IND process can result in substantial delay and expense.

Clinical trials typically involve the administration of the IND to volunteers or patients under the supervision of a qualified investigator. Clinical trials must be conducted in compliance with federal regulations and requirements, under protocols detailing the objectives of the trial and the parameters to be used in monitoring safety and effectiveness. Each protocol involving testing on US subjects must be submitted to the FDA as part of the IND. The study protocol and informed consent information for patients in clinical trials must also be approved by the Institutional Review Board at each institution where the trials will be conducted.

Clinical trials to support NDAs for marketing approval are typically conducted in three sequential phases, but the phases may overlap. In Phase I, the initial introduction of the drug into healthy human subjects or patients, the drug is tested to assess metabolism, pharmacokinetics and pharmacological actions and safety, including side effects associated with increasing doses. Phase II usually involves trials in limited patient populations to determine dosage tolerance and optimum dosage, identify possible adverse effects and safety risks, and provide preliminary support for the efficacy of the drug in the indication being studied. If a compound demonstrates evidence of effectiveness and an acceptable safety profile in Phase II evaluations, Phase III trials are undertaken to further evaluate clinical efficacy and to further test for safety within an expanded patient population, typically at geographically dispersed clinical trial sites. It is possible that Phase I, Phase II, or Phase III testing of product candidates may not be completed successfully within any specified time period, if at all.

After successful completion of the required clinical testing, generally an NDA is prepared and submitted to the FDA. FDA approval of the NDA is required before marketing of the product may begin in the US. The NDA must include the results of extensive clinical and other testing and a compilation of data relating to the product's pharmacology, chemistry, manufacture, and controls. The cost of preparing and submitting an NDA is substantial. Under federal law, the submission of an NDA is additionally subject to a substantial application user fee (unless eligible for a waiver or reduction), which currently range from $1,084,550 to $2,169,100, and the manufacturer and/or sponsor under an approved NDA are also subject to annual product and establishment user fees, currently exceeding $104,000 per product and $554,000 per establishment. These fees are typically increased annually.

The FDA has 60 days from its receipt of an NDA to determine whether the application will be accepted for filing based on the agency's threshold determination that the NDA is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. Under federal law, the FDA has agreed to certain performance goals in the review of NDAs. The user fee goal for review of most non-priority applications is ten months. However, the review process is often significantly extended by FDA requests for additional information or clarification of information already provided in the submission. The FDA may also refer applications for novel drug products or drug products which present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation, and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee.

If FDA evaluations of the NDA and the manufacturing facilities and procedures, which typically involves an FDA on-site inspection, are favorable, the FDA may issue an approval letter or, in some cases, an approvable letter followed by an approval letter. An approvable letter generally contains a statement of specific conditions that must be met in order to secure final approval of the NDA. If and when those conditions have been met to the FDA's satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications in an approved label. If the FDA's evaluation of the NDA submission or manufacturing facilities is not favorable, the FDA may refuse to approve the NDA or issue a not approvable letter. The not approvable letter outlines the deficiencies in the submission and often requires additional testing or information in order for the FDA to reconsider the application. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. With limited exceptions, the FDA may withhold approval of an NDA regardless of prior advice it may have provided or commitments it may have made to the sponsor. As a condition of NDA approval, the FDA may require post-approval testing and surveillance to monitor the drug's safety or efficacy and may impose other conditions, including labeling restrictions. Such labeling

restrictions can materially impact the potential market and profitability of the drug. Once granted, product approvals can still be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

Once the NDA is approved, a product will be subject to certain post-approval requirements, including requirements for adverse event reporting and submission of periodic reports. Persons responsible for manufacture or distribution are subject to FDA inspections to assess compliance with applicable statutory and regulatory requirements. The Food and Drug Administration Amendments Act of 2007 also provides the FDA enhanced post-marketing authority, including the authority to require post-marketing studies and clinical trials, labeling changes based on new safety information, and compliance with risk evaluations and mitigation strategies approved by the FDA.

Additionally, the FDA also strictly regulates the promotional claims that may be made about drug products. The FDA requires substantiation of any claims of superiority of one product over another including, in many cases, requirements that such claims be proven by adequate and well controlled head-to-head clinical trials. To the extent that market acceptance of the Company's products may depend on their superiority over existing therapies, any restriction imposed by FDA on the Company's ability to advertise or otherwise promote claims of superiority, or requirements to conduct additional expensive clinical trials to provide proof of such claims, could negatively affect the sales of the Company's products and/or its costs.

Orphan Drug Act

The Orphan Drug Act provides incentives to manufacturers to develop and market drugs for rare diseases and conditions affecting fewer than 200,000 persons in the US at the time of application for Orphan Drug Designation. The first developer to receive FDA marketing approval for an orphan drug is entitled to a seven year exclusive marketing period in the US for that product. However, a drug that the FDA considers to be clinically superior to, or different from, another approved orphan drug, even though for the same indication, may also obtain approval in the US during the seven year exclusive marketing period. In addition, holders of exclusivity for orphan drugs are expected to assure the availability of sufficient quantities of their orphan drugs to meet the needs of patients. Failure to do so could result in the withdrawal of marketing exclusivity for the drug.

Legislation similar to the Orphan Drug Act has been enacted in other countries outside the US, including the European Union ("EU"). The orphan legislation in the EU is available for therapies addressing chronic debilitating or life threatening conditions that affect five or fewer out of 10,000 persons or are financially not viable to develop. The market exclusivity period is for ten years, although that period can be reduced to six years if, at the end of the fifth year, available evidence establishes that the product is sufficiently profitable not to justify maintenance of market exclusivity. The market exclusivity may be extended to 12 years if sponsors complete a pediatric investigation plan agreed upon with the relevant committee of the EMA.

Pediatric Information

Under the Pediatric Research Equity Act of 2007 ("PREA"), NDAs or BLAs or supplements to NDAs or BLAs must contain data to assess the safety and effectiveness of the drug for the claimed indication(s) in all relevant pediatric sub-populations and to support dosing and administration for each pediatric sub-population for which the drug is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. Unless otherwise required by regulation, PREA does not apply to any drug for an indication for which orphan drug designation has been granted. The Best Pharmaceuticals for Children Act ("BPCA"), provides sponsors of NDAs with an additional six month period of market exclusivity for all unexpired patent or non-patent exclusivity on all forms of the drug containing the active moiety if the sponsor submits results of pediatric studies specifically requested by the FDA under BPCA within required timeframes. The Biologics Price Competition and Innovation Act provides sponsors of BLAs an additional six month extension for all unexpired non-patent market exclusivity on all forms of the biologic containing the active moiety pursuant to the BPCA if the conditions under the BPCA are met.

Foreign Regulation

In addition to regulations in the US, we are subject to a variety of foreign regulatory requirements governing human clinical trials and marketing approval for drugs. The foreign regulatory approval process includes all of the risks associated with FDA approval set forth above, as well as additional country specific regulations. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Environmental Regulation

In addition to being subject to extensive regulation by the FDA, the Company must also comply with environmental regulation insofar as such regulation applies to the Company or its drug candidates. Our costs of compliance with environmental regulation as applied to similar pharmaceutical companies are minimal, since we do not currently, nor do we intend to, engage in the production of any of our drug candidates. The Company currently uses unaffiliated manufacturers to produce all of its drug candidate material and receive final material from such manufacturer, without any involvement on our part in the manufacturing process at any stage of the process.

Although we believe that our safety procedures for using, handling, storing and disposing of our product candidate materials comply with the environmental standards required by state and federal laws and regulations, we cannot completely eliminate the risk of accidental contamination or injury from these materials. We do not carry a specific insurance policy to mitigate this risk to us or to the environment.

Employees

At March 31, 2014 the Company employed eight full time persons and one part time person. The Company is not a party to any collective bargaining agreement with its employees; nor are any of its employees a member of any labor unions. The Company is subject to certain statutory and contractual obligations in instances where it terminates UK based employees. These obligations, which are ordinary and customary in the UK, generally range from one to six months wages for terminated employees and would not be expected to represent a material adverse effect to the Company.

Competition

We are engaged in a rapidly evolving field. If our drug candidate development reaches the level of commercialization and marketing, we expect to compete primarily with established pharmaceutical companies such as Amgen Inc., Bristol-Myers and the Squibb Corp, F. Hoffmann-La Roche Ltd, Nektar Therapeutics and others. We also expect to compete with established pharmaceutical companies as well as academic institutions and other smaller pharmaceutical companies during the drug development stage of our progress. Competition is intense and expected to increase.

The large and rapidly growing market for new drug therapies for use in humans is likely to attract new entrants. Numerous biotechnology and pharmaceutical companies are focused on developing new drug therapies and many of these companies have greater financial and other resources and development capabilities than we do. Our competitors also have greater collective experience in undertaking pre-clinical and clinical testing of products, obtaining regulatory approvals and manufacturing and marketing prescription pharmaceutical products. Accordingly, certain of these competitors may succeed in obtaining approval for drug products and therapies more rapidly than us.

In addition to competing with universities and other research institutions in the development of drug products, therapies, technologies and processes, we may compete with other companies in acquiring rights to products or technologies from universities. There can be no assurance that our products or product candidates will be more effective or achieve greater market acceptance than competitive products, or that these companies will not succeed in developing products and technologies that are more effective than those being developed for us or that would render our products and technologies less competitive or obsolete.

Available Information

Our website address is www.xeneticbio.com. The information in, or that can be accessed through, our website is not part of this Annual Report on Form 10-K. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports are available, free of charge, on or through our website as soon as practicable after we electronically file such forms, or furnish them to, the U.S. Securities and Exchange Commission (the "SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operations of the Public Reference Room can be obtained by calling 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov.

Directors and Executive Officers

Set forth below is the name, age, position and brief account of the business experience of each of our executive officers and directors as of April 15, 2014:

Name	Age	Position
Michael Scott Maguire	50	President, Chief Executive Officer and Director
Colin W. Hill	68	Secretary, Treasurer, Chief Financial Officer and Director
Firdaus Jal Dastoor FCS	61	Director
Artur Isaev	43	Director
Sir Brian Richards	81	Director
Dr. Timothy R. Coté	53	Director
Darlene Deptula-Hicks	56	Director

Michael Scott Maguire

Mr. Maguire has been President, Chief Executive Officer and Director of the Company since January 2014 having been appointed pursuant to terms included in the Company's acquisition of Xenetic UK. Mr. Maguire served with Xenetic UK as its Chief Executive Officer from April 2004 to the present. His background is in life science and healthcare investment banking and he has advised many US and European companies on capital raisings and commercial development over his 26 year career. Mr. Maguire began his banking career with Merrill Lynch in 1987 in New York, and after receiving his MBA from the Babson Graduate School in 1993, he joined the healthcare division of W.R. Grace National Medical Care ("NMC") where he helped develop the international healthcare division. During his time in charge of international business development, he helped double NMC's international revenues through Mergers and Acquisitions. In 1996 he co-founded the Arthur Andersen global healthcare corporate finance practice based in London, a practice that he built to include a staff of 36 across the US and Europe, elevating to the role of managing director. Mr. Maguire is currently a director of Healthcare Capital Partners Limited, a healthcare corporate finance and proprietary investment boutique he co-founded in 2002 and a non-executive director of Renal Services (UK) Limited, a company focused on dialysis service provision in the UK.

Colin W. Hill

Mr. Hill has been Secretary, Treasurer, Chief Financial Officer and Director of the Company since January 2014 having been appointed pursuant to terms included in the Company's acquisition of Xenetic UK. Mr. Hill served as Chief Financial Officer of Xenetic UK from June 2007 to the present. Prior to joining Xenetic he was Finance Director 2001 to 2003 and non-executive Chairman in 2003 of Greenchip Investments plc. Mr. Hill has been a member of the Chartered Institute of Management Accountants since 1968 and spent 15 years in industry specializing in corporate turnaround and development work before becoming a freelance consultant in 1981. Since that time, he has focused on due diligence relating to corporate finance assignments in small and medium enterprises and public companies with small market capitalizations in the UK, US, and overseas. Between 1998 and 2008 Mr. Hill was Group Finance Director of Arlington Group plc, a company listed on the London Alternative Investments Market ("AIM") stock exchange.

Firdaus Jal Dastoor, FCS

Mr. Dastoor was appointed as a Director of the Company in January 2014 pursuant to terms included in the Company's acquisition of Xenetic UK. Mr. Dastoor was appointed non-executive Director of Xenetic UK in July 2007. He is a Fellow Member of The Institute of Company Secretaries of India and began his career as a company secretary. He was Company Secretary of the Poonawalla Group until 1994. He then took on assignments involved in business development strategies and operations. Mr. Dastoor is on the board of several companies operating in the field of engineering products, life sciences and biotech, international trade, financial services and quality standards certifications. Currently, he is a Group Director of the Poonawalla Group of Companies in charge of Finance and Corporate Affairs.

Artur Isaev

Mr. Isaev was appointed as a Director of the Company in January 2014 pursuant to terms included in the Company's acquisition of Xenetic UK. Mr. Isaev is a General Director and a majority shareholder of Human Stem Cells Institute OJSC Russia's public biotech company, headquartered in Moscow. Mr. Isaev has a degree in Medicine and an MBA. He started his business career as a top manager in brokerage, investment and auditing companies. In 2003 he founded Human Stem Cells Institute and from the very beginning has occupied the post of its General Director. Mr. Isaev is a vice president of a non-governmental organization of experts in cell technologies and regenerative medicine.

Sir Brian Richards, CBE, BSc, PhD, DSc

Sir Brian Richards was appointed to the Board of Directors of the Company in February 2014. Sir Brian was appointed to the Board of Directors of Xenetic UK and became its non-executive Chairman in June 2005. He has extensive experience of chairing boards of public companies and is currently the non-executive Chairman of Alizyme plc, Cozart plc, VASTox plc and MAN Mali (Guernsey) Limited. Sir Brian previously served as executive Chairman of British Biotechnology Limited, a company he co-founded, and has had non-executive chairmanships or directorships of several biopharmaceutical companies including Peptide Therapeutics (later Acambis plc), Oxford Biomedica plc and CeNeS Pharmaceuticals plc.

Dr. Timothy R. Coté

Dr. Coté was appointed to the Board of Directors of the Company in February 2014. Dr. Coté is a leading national regulatory expert in orphan drug development. Mr. Coté has 22 years of federal service at the FDA, the National Institute of Health, and the Center for Disease Control. Most recently, Dr. Coté served as the Director of the FDA Office of Orphan Products Development from 2007 to 2011. Dr. Coté was instrumental in implementing the Orphan Drug Act and personally signed more than 800 orphan drug designations. Dr. Coté is

the principal and Chief Executive Officer of Coté Orphan Consulting, LLC, a regulatory affairs advisory firm based in Silver Spring, Maryland, that provides valuable strategic planning and execution services to companies developing or seeking to develop orphan products.

Darlene Deptula-Hicks

Ms. Deptula-Hicks was appointed to the Board of Directors of the Company in April 2014. Ms. Deptula-Hicks is a strategic senior financial executive with extensive experience in both public and private companies, including experience in fund raising, mergers and acquisitions, public and private offerings and with operational management focused in life sciences. Since June 2012, Ms. Deptula-Hicks has served as Vice President and Chief Financial Officer of Microline Surgical, Inc. From 2006 to 2011, Ms. Deptula-Hicks was the Vice President, Chief Financial Officer, Treasurer and Secretary of ICAD, Inc. She received her Bachelor of Science in Accounting from Southern New Hampshire University and her MBA from Rivier College.

ITEM 1A – RISK FACTORS

An investment in shares of our common stock involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information appearing elsewhere in this Annual Report on Form 10-K, including our consolidated financial statements and related notes hereto, before deciding to invest in our common stock. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations and future growth prospects. In these circumstances, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks related to our financial condition and capital requirements

We have never been profitable and may never achieve or sustain profitability.

We do not have any significant revenues, we have never been profitable and we may not achieve profitability in the foreseeable future, if at all. Our ability to generate profits in the future will depend on a number of factors, including:

- Funding the costs relating to the research and development, regulatory approval, commercialization and sale and marketing of our drug candidates;
- Market acceptance of our drug candidates;
- Costs of acquiring and developing new drug candidates;
- Ability to bring our drug candidates to market;
- General and administrative costs relating to our operations;
- Increases in our research and development costs;
- Charges related to purchases of technology or other assets; and
- Our ability to raise additional capital.

As of December 31, 2013, we had an accumulated deficit of approximately $60 million. We expect to incur additional operating losses as we expand our research and development activities and our commercialization, marketing and sales efforts. If we are unable to generate sufficient revenue from our operations to pay expenses or we are unable to obtain additional financing on commercially reasonable terms, our business, financial condition and results of operations may be materially and adversely affected.

We have insufficient cash flow to fund our operations beyond the first quarter of 2015 which raises substantial doubt about our ability to continue as a going concern beyond that date.

Our total current assets, cash and working capital were approximately $5.3, $4.8 and $1.7 million, respectively at December 31, 2013. We estimate that, after including the $10 million received from Baxter in January 2014, we have enough cash on hand to fund our base business plan through the first quarter of 2015. We will need to raise additional working capital either through equity or debt or a combination of equity and debt during 2014 should we decide to accelerate the timing of certain research and development programs versus our base business plan.

Our recurring operating losses, past liquidity issues and indebtedness raise substantial doubt about our ability to continue as a going concern beyond the first quarter of 2015. Our ability to continue as a going concern and the appropriateness of using the going concern basis of accounting depends upon, among other things, our ability to generate sufficient cash from operations and financing sources to meet our obligations. There can be no assurance that we will be able to generate positive cash flows from operations. Further, there can be no assurance that we will be able to obtain additional financing or that, even if we do obtain additional financing, it will be on terms that allow us to continue to fund our current business plan.

Concern about our ability to fund our base business plan beyond the first quarter of 2015 could adversely affect our ability to attract and retain key employees and to attract and retain key collaboration partners that could adversely affect our business and adversely impact the price of our stock. Our ability to meet future obligations will be dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

From time to time, we will need to raise additional funding, which may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.

We are currently advancing our product candidates through preclinical or clinical development. Developing these product candidates is expensive, and our research and development expenses may increase substantially in connection with our ongoing activities.

As a result, from time to time, we may need to seek additional funds, through public or private equity or debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements or a combination of these approaches. Raising funds in the current economic environment may present additional challenges. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our stockholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our shares to decline. The sale of additional equity or convertible securities would dilute all of our stockholders. The incurrence of indebtedness would result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable and we may be required to relinquish rights to some of our technologies or product candidates or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

Risks related to the discovery and development of our product candidates

We are an established operating company in the business of developing biologic drug products. However, given the uncertainty of such development our business operations may never fully materialize and create value for investors.

We are a company focused on the development for commercialization, marketing and selling of pharmaceutical products. Our PolyXen®, OncoHist™ and ImuXen® drug candidates are in the early stages of the regulatory new drug approval process. Our revenues to date consist primarily of collaboration revenue from a single partner and not from product sales or royalties. We have not yet recognized significant revenue. You should evaluate the likelihood of financial and operational success in light of the uncertainties and complexities present in an early stage company, many of which are beyond our control, including:

- Our potential inability to achieve regulatory approval of our drug candidates;
- The significant investment of capital and other resources necessary to achieve regulatory approval of our drug candidates; and
- Our potential inability to enter into a successful marketing and distribution collaboration or to successfully commercialize, market and sell our drug candidates when approved, if ever, on our own.

Our operations have been limited to organizing and staffing our company and early stage work in the development and regulatory process to allow clinical trials on our drug candidates. These operations provide a limited basis for you to assess our ability to commercialize our drug candidates and the advisability of investing in us.

Our failure to comply with extensive government regulation may significantly affect our operating results.

Our products are subject to extensive regulation by the FDA, as well as other federal, state, local and foreign government laws and regulations. These regulations may affect many aspects of our operations, including testing, research and development, manufacturing, pre-market approval, storage, quality control, adverse event reporting, record keeping, product labeling, marketing, advertising and promotion. Failure to comply with applicable regulatory requirements could, among other things, result in:

- Fines;
- Changes to advertising or claims made;
- Failure to obtain necessary marketing approvals;
- Revocation or suspension of regulatory approvals of products;
- Regulatory letters;
- Adverse publicity;
- Product seizures or recall;
- Delay, interruption or suspension of product manufacturing;
- Suspension of distribution, marketing and sale;
- Mandated corrective action; and
- Civil or criminal sanctions.

The discovery of previously unknown problems with our initial and future products may result in other significant unexpected negative or adverse impact to our operations.

We may find it difficult to enroll patients in our clinical studies, which could delay or prevent clinical studies of our product candidates.

Identifying and qualifying patients to participate in clinical studies of our product candidates is critical to our success. The timing of our clinical studies depends on the speed at which we can recruit patients to participate in testing our product candidates. We may experience delays. If patients are unwilling to participate

in our clinical studies because of negative publicity from adverse events in the biophamaceutical industries or for other reasons, including competitive clinical studies for similar patient populations, the timeline for recruiting patients, conducting studies and obtaining regulatory approval of potential products may be delayed. These delays could result in increased costs, delays in advancing our product development, delays in testing the effectiveness of our technology or termination of the clinical studies altogether.

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

- Severity of the disease under investigation;
- Design of the study protocol;
- Size of the patient population;
- Eligiblity criteria for the study in question;
- Perceived risks and benefits of the product candidate under study;
- Proximity and availability of clinical study sites for prospective patients;
- Availability of competing products and clinical studies;
- Efforts to facilitate timely enrollment in clinical studies;
- Patient referral practices of physicians; and
- Ability to monitor patients adequately during and after treatment.

We may not be able to initiate or continue clinical studies if we cannot enroll a sufficient number of eligible patients to participate in the clinical studies required by the FDA or other regulatory agencies. Our ability to successfully initiate, enroll and complete a clinical study in any foreign country is subject to numerous risks unique to conducting business in foreign countries, including:

- Difficulty in establishing or managing relationships with contract research organizations, and physicians;
- Different standards for the conduct of clinical studies;
- Our inability to locate qualified local consultants, physicians and partners; and
- The potential burden of complying with a variety of foreign laws, medical standards and regulatory requirements, including the regulation of pharmaceutical and biotechnology products and treatment.

If we have difficulty enrolling a sufficient number of patients to conduct our clinical studies as planned, we may need to delay, limit or terminate ongoing or planned clinical studies, any of which would have an adverse effect on our business.

We may encounter substantial delays in our clinical studies.

Clinical testing is expensive, time-consuming and uncertain as to outcome. We cannot guarantee that any clinical studies will be conducted as planned or completed on schedule, if at all. A failure of one or more clinical studies can occur at any stage of testing. Events that may prevent successful or timely completion of clinical development include:

- Delays in reaching a consensus with regulatory agencies on study design;
- Delays in reaching agreement on acceptable terms with prospective CROs and clinical study sites;
- Delays in obtaining required Institutional Review Board, or Institutional Ethics Committee approval at each clinical study site;
- Delays in recruiting suitable patients to participate in our clinical studies;
- Imposition of a clinical hold by regulatory agencies, after an inspection of our clinical study operations or study sites;

- Failure by our CROs, other third parties or us to adhere to clinical study requirements;
- Failure to perform in accordance with the FDA's good clinical practices ("GCP"), or applicable regulatory requirements in other countries;
- Delays in the testing, validation, manufacturing and delivery of our product candidates to the clinical sites;
- Delays in having patients complete participation in a study or return for post-treatment follow-up;
- Clinical study sites or patients dropping out of a study;
- Occurrence of serious adverse events associated with the product candidate that are viewed to outweigh its potential benefits; or
- Changes in regulatory requirements and guidance that require amending or submitting new clinical protocols.

Any inability to successfully complete preclinical and clinical development could result in additional costs to us or impair our ability to generate revenues. In addition, if we make manufacturing or formulation changes to our product candidates, we may need to conduct additional studies to bridge our modified product candidates to earlier versions.

If the results of our clinical studies are inconclusive or if there are safety concerns or adverse events associated with our product candidates, we may:

- Be delayed in obtaining marketing approval for our product candidates, if at all;
- Obtain approval for indications or patient populations that are not as broad as intended or desired;
- Obtain approval with labeling that includes significant use or distribution restrictions or safety warnings;
- Be subject to changes with the way the product is administered;
- Be required to perform additional clinical studies to support approval or be subject to additional post-marketing testing requirements;
- Have regulatory authorities withdraw their approval of the product or impose restrictions on its distribution in the form of a modified risk evaluation and mitigation strategy;
- Be subject to the addition of labeling statements, such as warnings or contraindications;
- Be sued; or
- Experience damage to our reputation.

As described above, any of these events could prevent us from achieving or maintaining market acceptance of our product candidates and impair our ability to generate revenues.

Clinical trials may fail to demonstrate the safety and efficacy of our product candidates and could prevent or significantly delay regulatory approval.

Before receiving NDA approval to commercialize a drug candidate, we must demonstrate to the FDA, with substantial evidence from well controlled clinical trials, that the drug candidate is both safe and effective. If these trials or future clinical trials are unsuccessful, our business and reputation would be harmed and our stock price would most likely be adversely affected.

All of our drug candidates are prone to the risks of failure. The results of early stage clinical trials of our drug candidates will not necessarily predict the results of later stage clinical trials. Drug candidates in later stage clinical trials may fail to show desired safety and efficacy traits, despite having progressed through initial clinical testing. Even if we believe the data collected from clinical trials of our drug candidates are promising, these data may not be sufficient to obtain approval from the FDA or other regulators. Pre-clinical and clinical data can be interpreted in different ways. Accordingly, FDA or other regulatory officials could interpret such data in different ways than we do which could delay, limit or prevent regulatory approval. The FDA, other regulatory

authorities, or we may suspend or terminate clinical trials at any time. Any failure or significant delay in completing clinical trials for our drug candidates, or in receiving regulatory approval for the sale of resulting products, may severely harm our business and reputation.

Because of these risks, the research and development efforts of our collaborative partners may not result in any commercially viable products. If a significant portion of these development efforts is not successfully completed or, if required regulatory approvals are not obtained by our partners, or any approved products are not commercially successful, we are not likely to generate significant revenues or become profitable.

Even if we complete the necessary preclinical and clinical studies, we cannot predict when or if we will obtain regulatory approval to commercialize a product candidate or the approval may be for a more narrow indication than we expect.

A product cannot be commercialized until the appropriate regulatory authorities have reviewed and approved the product candidate. Even if our product candidates demonstrate safety and efficacy in clinical studies, the regulatory agencies may not complete their review processes in a timely manner, or we may not be able to obtain regulatory approval. Additional delays may result if an FDA Advisory Committee or other regulatory advisory group or authority recommends non-approval or restrictions on approval. In addition, we may experience delays or rejections based upon additional government regulation from future legislation or administrative action, or changes in regulatory agency policy during the period of product development, clinical studies and the review process. Regulatory agencies also may approve a product candidate for fewer or more limited indications than requested or may grant approval subject to the performance of post-marketing studies. In addition, regulatory agencies may not approve the labeling claims that are necessary or desirable for the successful commercialization of our product candidates.

Even if we obtain regulatory approval for a product candidate, our products will remain subject to regulatory scrutiny.

Even if we obtain regulatory approval in a jurisdiction, the regulatory authority may still impose significant restrictions on the indicated uses or marketing of our product candidates, or impose ongoing requirements for potentially costly post-approval studies or post-market surveillance. Additionally, the holder of an approved BLA is obligated to monitor and report adverse events and any failure of a product to meet the specifications in the BLA. The holder of an approved BLA must also submit new or supplemental applications and obtain FDA approval for certain changes to the approved product, product labeling or manufacturing process. Advertising and promotional materials must comply with FDA rules and are subject to FDA review, in addition to other potentially applicable federal and state laws.

In addition, product manufacturers and their facilities are subject to payment of user fees and continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP, and adherence to commitments made in the BLA. If we or a regulatory agency discovers previously unknown problems with a product such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions relative to that product or the manufacturing facility, including requiring recall or withdrawal of the product from the market or suspension of manufacturing.

If we fail to comply with applicable regulatory requirements following approval of any of our product candidates, a regulatory agency may:

- Issue a warning letter asserting that we are in violation of the law;
- Seek an injunction or impose civil or criminal penalties or monetary fines;
- Suspend or withdraw regulatory approval;
- Suspend any ongoing clinical studies;

- Refuse to approve a pending marketing application, such as a BLA or supplements to a BLA submitted by us;
- Seize product; or
- Refuse to allow us to enter into supply contracts, including government contracts.

Any government investigation of alleged violations of law could require us to expend significant time and resources in response and could generate negative publicity. The occurrence of any event or penalty described above may inhibit our ability to commercialize our product candidates and generate revenues.

The commercial success of any current or future product candidate will depend upon the degree of market acceptance by physicians, patients, third-party payors and others in the medical community.

Even with the requisite approvals, the commercial success of our product candidates will depend in part on the medical community, patients, and third-party payors accepting our product candidates as medically useful, cost-effective, and safe. Any product that we or our partners bring to the market may not gain market acceptance by physicians, patients, third-party payors and others in the medical community. If these products do not achieve an adequate level of acceptance, we may not generate significant product revenue and may not become profitable. The degree of market acceptance of these product candidates, if approved for commercial sale, will depend on a number of factors, including:

- The potential efficacy and potential advantages over alternative treatments;
- The prevalence and severity of any side effects, including any limitations or warnings contained in a product's approved labeling;
- Relative convenience and ease of administration;
- The willingness of the target patient population to try new products and of physicians to prescribe these products;
- The strength of marketing and distribution support and timing of market introduction of competitive products;
- Publicity concerning our products or competing products and treatments; and
- Sufficient third-party insurance coverage or reimbursement.

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

The commercial potential of a drug candidate in development is difficult to predict. If the market size for a new drug is significantly smaller than we anticipate, it could significantly and negatively impact our revenue, results of operations and financial condition.

It is very difficult to estimate the commercial potential of product candidates due to important factors such as safety and efficacy compared to other available treatments, including potential generic drug alternatives with similar efficacy profiles, changing standards of care, third party payer reimbursement standards, patient and physician preferences, the availability of competitive alternatives that may emerge either during the long drug development process or after commercial introduction, and the availability of generic versions of our successful product candidates following approval by government health authorities based on the expiration of regulatory exclusivity or our inability to prevent generic versions from coming to market by asserting our patents. If due to these factors, or others, the market potential for a drug candidate is lower than we anticipated, it could significantly and negatively impact the commercial terms of any collaboration partnership potential for such drug candidate or, if we have already entered into a collaboration for such drug candidate, the revenue potential from royalty and milestone payments could be significantly diminished which would negatively impact our business, financial condition and results of operations.

Risks related to our reliance on third parties

Because we depend on Serum Institute and other third parties to develop our drug candidates and to manufacture our material, we could be affected adversely if any of them fail to provide us with sufficient product quantities at acceptable prices.

We have no manufacturing capability. As a result, we depend on Serum Institute, which in turn may rely upon third parties to manufacture our products. Although our strategy is based on leveraging the ability of collaboration partners to develop and manufacture our products for commercialization in the pharmaceutical marketplace, we will be dependent on collaborations with drug development and manufacturing collaborators. If we are not able to maintain existing collaborative arrangements or establish new arrangements on commercially acceptable terms, we would be required to undertake product manufacturing and development activities at our own expense. This would increase our capital requirements or require us to limit the scope of our development activities. Moreover, we have limited or no experience in conducting full scale bioequivalence or other clinical studies, preparing and submitting regulatory applications, and manufacturing and marketing drug products and as such we are reliant on contract parties for such efforts. There can be no assurance that we will be successful in performing these activities and any failure to perform such activities could have a material adverse effect on our business, financial condition and results of our operations.

If any of our developmental collaborators breach or terminate their agreements with us or otherwise fail to conduct their collaborative activities in a timely manner, the pre-clinical and/or clinical development and/or commercialization of our product candidates will be delayed and we would be required to devote additional resources to product development and commercialization or terminate certain development programs. Also a license relationship may be terminated at the discretion of our collaborator, or at the end of contract terms, in some cases with only limited notice to us. The termination of the collaborative arrangement could have a material adverse effect on our business, financial condition and results of operations. There also can be no assurance that disputes will not arise with respect to the ownership of rights to any technology developed with third parties. These and other possible disagreements with collaborators could lead to delays in the development or commercialization of our product candidates or could result in litigation or arbitration, which could be time consuming and expensive and could have a material adverse effect on our business, financial condition and results of operations.

We and our contract manufacturers are subject to significant regulation with respect to manufacturing our products. The manufacturing facilities on which we rely may not continue to meet regulatory requirements and have limited capacity.

We currently have relationships with a limited number of suppliers for the manufacturing of our product candidates. Each supplier may require licenses to manufacture such components if such processes are not owned by the supplier or in the public domain and we may be unable to transfer or sublicense the intellectual property rights we may have with respect to such activities.

All entities involved in the preparation of pharmaceutical products for clinical studies or commercial sale, including our existing contract manufacturers for our product candidates, are subject to extensive regulation. Components of a finished pharmaceutical product approved for commercial sale or used in late-stage clinical studies must be manufactured in accordance with cGMP. These regulations govern manufacturing processes and procedures (including record keeping) and the implementation and operation of quality systems to control and assure the quality of investigational products and products approved for sale. Poor control of production processes can lead to the introduction of adventitious agents or other contaminants, or to inadvertent changes in the properties or stability of our product candidates that may not be detectable in final product testing. We or our contract manufacturers must supply all necessary documentation in support of a BLA on a timely basis and must adhere to the FDA's good laboratory practices ("GLP"), and cGMP regulations enforced by the FDA through its facilities inspection program. Our facilities and quality systems and the facilities and quality systems

of some or all of our third-party contractors must pass a pre-approval inspection for compliance with the applicable regulations as a condition of regulatory approval of our product candidates or any of our other potential products. In addition, the regulatory authorities may, at any time, audit or inspect a manufacturing facility involved with the preparation of our product candidates or our other potential products or the associated quality systems for compliance with the regulations applicable to the activities being conducted. If these facilities do not pass a pre-approval plant inspection, FDA approval of the products will not be granted.

The regulatory authorities also may, at any time following approval of a product for sale, audit the manufacturing facilities of our third-party contractors. If any such inspection or audit identifies a failure to comply with applicable regulations or if a violation of our product specifications or applicable regulations occurs independent of such an inspection or audit, we or the relevant regulatory authority may require remedial measures that may be costly and/or time-consuming for us or a third party to implement and that may include the temporary or permanent suspension of a clinical study or commercial sales or the temporary or permanent closure of a facility. Any such remedial measures imposed upon us or third parties with whom we contract could materially harm our business.

If we or any of our third-party manufacturers fail to maintain regulatory compliance, the FDA can impose regulatory sanctions including, among other things, refusal to approve a pending application for a biologic product, or revocation of a pre-existing approval. As a result, our business, financial condition and results of operations may be materially harmed.

Additionally, if supply from one approved manufacturer is interrupted, there could be a significant disruption in commercial supply. The number of manufacturers with the necessary manufacturing capabilities is limited. In addition, an alternative manufacturer would need to be qualified through a BLA supplement which could result in further delay. The regulatory agencies may also require additional studies if a new manufacturer is relied upon for commercial production. Switching manufacturers may involve substantial costs and is likely to result in a delay in our desired clinical and commercial timelines.

These factors could cause the delay of clinical studies, regulatory submissions, required approvals or commercialization of our product candidates, cause us to incur higher costs and prevent us from commercializing our products successfully. Furthermore, if our suppliers fail to meet contractual requirements, and we are unable to secure one or more replacement suppliers capable of production at a substantially equivalent cost, our clinical studies may be delayed or we could lose potential revenue.

We expect to rely on third parties to conduct, supervise and monitor our clinical studies, and if these third parties perform in an unsatisfactory manner, it may harm our business.

We expect to rely on CROs and clinical study sites to ensure our clinical studies are conducted properly and on time. While we will have agreements governing their activities, we will have limited influence over their actual performance. We will control only certain aspects of our CROs' activities. Nevertheless, we will be responsible for ensuring that each of our clinical studies is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities.

We and our CROs are required to comply with the FDA's GCPs for conducting, recording and reporting the results of clinical studies to assure that the data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical study participants are protected. The FDA enforces these GCPs through periodic inspections of study sponsors, principal investigators and clinical study sites. If we or our CROs fail to comply with applicable GCPs, the clinical data generated in our future clinical studies may be deemed unreliable and the FDA may require us to perform additional clinical studies before approving any marketing applications. Upon inspection, the FDA may determine that our clinical studies did not comply with GCPs. In addition, our future clinical studies will require a sufficient number of test subjects to evaluate the safety and

efficacy of our product candidates. Accordingly, if our CROs fail to comply with these regulations or fail to recruit a sufficient number of patients, we may be required to repeat such clinical studies, which would delay the regulatory approval process.

Our CROs are not our employees, and we are therefore unable to directly monitor whether or not they devote sufficient time and resources to our clinical and nonclinical programs, which must be conducted in accordance with GCPs and GLPs, respectively. These CROs may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical studies or other drug development activities that could harm our competitive position. If our CROs do not successfully carry out their contractual duties or obligations, fail to meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements, or for any other reasons, our clinical studies may be extended, delayed or terminated, and we may not be able to obtain regulatory approval for, or successfully commercialize our product candidates. As a result, our financial results and the commercial prospects for our product candidates would be harmed, our costs could increase, and our ability to generate revenues could be delayed.

We may also rely on other third parties to store and distribute our products for any clinical studies that we may conduct. Any performance failure on the part of our distributors could delay clinical development or marketing approval of our product candidates or commercialization of our products, if approved, producing additional losses and depriving us of potential product revenue.

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

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

In addition, these agreements typically restrict the ability of our collaborators, advisors, employees and consultants to publish data potentially relating to our trade secrets. Our academic collaborators typically have rights to publish data, provided that we are notified in advance and may delay publication for a specified time in order to secure our intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by us, although in some cases we may share these rights with other parties. We may also conduct joint research and development programs that may require us to share trade secrets under the terms of our research and development partnerships or similar agreements. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of these agreements, independent development or publication of information including our trade secrets in cases where we do not have proprietary or otherwise protected rights at the time of publication. A competitor’s discovery of our trade secrets would impair our competitive position and have an adverse impact on our business.

Risks related to our intellectual property

If we fail to adequately protect or enforce our IP rights, we may be unable to operate effectively.

Our success and ability to compete are substantially dependent on our patents, proprietary formulations and trademarks. Although we believe that the patents and associated trademarks and licenses are valid, there can be no assurance that they will not be challenged and subsequently invalidated and/or canceled. The invalidation or cancellation of any one or all of the patents or trademarks would significantly damage our commercial prospects.

Further, we may find it necessary to legally challenge parties infringing our patents or trademarks or licensed trademarks to enforce our rights thereto. There can be no assurance that any of the patents would ultimately be held valid or that efforts to defend any of the patents, trade secrets, know-how or other IP rights would be successful.

If any of our pending patent applications do not issue or are deemed invalid following issuance, we may lose valuable IP protection.

The patent positions of pharmaceutical and biotechnology companies, such as ours, are uncertain and involve complex legal and factual issues. We own numerous US and foreign patents and a number of pending patent applications that cover various aspects of our technologies. There can be no assurance that patents that have issued will be held valid and enforceable in a court of law. Even for patents that are held valid and enforceable, the legal process associated with obtaining such a judgment is time consuming and costly. Additionally, issued patents can be subject to opposition or other proceedings that can result in the revocation of the patent or maintenance of the patent in amended form (and potentially in a form that renders the patent without commercially relevant and/or broad coverage). Further, our competitors may be able to circumvent and otherwise design around our patents. Even if a patent is issued and enforceable, because development and commercialization of pharmaceutical products can be subject to substantial delays, patents may expire early and provide only a short period of protection, if any, following the commercialization of a product encompassed by our patents. We may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office, which could result in a loss of the patent and/or substantial cost to us.

We have filed patent applications, and plan to file additional patent applications, covering various aspects of our PSA and advanced polymer conjugate technologies and our proprietary product candidates. There can be no assurance that the patent applications for which we apply would actually be issued as patents, or do so with commercially relevant and/or broad coverage. The coverage claimed in a patent application can be significantly reduced before the patent is issued. The scope of our claim coverage can be critical to our ability to enter into licensing transactions with third parties and our right to receive royalties from our collaboration partnerships. Since publication of discoveries in scientific or patent literature often lags behind the date of such discoveries, we cannot be certain that we were the first inventor of inventions covered by our patents or patent applications. In addition, there is no guarantee that we will be the first to file a patent application directed to an invention.

An adverse outcome in any judicial proceeding involving IP, including patents, could subject us to significant liabilities to third parties, require disputed rights to be licensed from or to third parties or require us to cease using the technology in dispute. In those instances where we seek an IP license from another, we may not be able to obtain the license on a commercially reasonable basis, if at all, thereby raising concerns on our ability to freely commercialize our technologies and/or products.

If we infringe on the IP rights of others, our business and profitability may be adversely affected.

Our commercial success will also depend, in part, on us and our collaborative partners not infringing on the patents or proprietary rights of others. There can be no assurance that the technologies and products used or

developed by our collaborative partners and marketed and sold by us will not infringe such rights. If such infringement occurs and neither we nor our collaborative partner is able to obtain a license from the relevant third party, we will not be able to continue the development, manufacture, use, or sale of any such infringing technology or product. There can be no assurance that necessary licenses to third party technology will be available at all, or on commercially reasonable terms. In some cases, litigation or other proceedings may be necessary to defend against or assert claims of infringement or to determine the scope and validity of the proprietary rights of third parties. Any potential litigation could result in substantial costs to, and diversion of, our resources and could have a material and adverse impact on us. An adverse outcome in any such litigation or proceeding could subject us to significant liabilities, require us to cease using the subject technology or require us to license the subject technology from the third party, all of which could have a material adverse effect on our business.

If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could lose license rights that are important to our business.

We are a party to a number of intellectual property license agreements that are important to our business and expect to enter into additional license agreements in the future. Our existing license agreements impose, and we expect that future license agreements will impose, various diligence, milestone payment, royalty and other obligations on us. If we fail to comply with our obligations under these agreements, or we are subject to a bankruptcy, 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.

We may need to obtain licenses from third parties to advance our research, and we have done so from time to time. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we may be required to expend significant time and resources to develop or license replacement technology. If we are unable to do so, we may be unable to develop the affected product candidates, which could harm our business significantly. We cannot provide any assurances that third-party patents do not exist which might be enforced against our current product candidates or future products, resulting in either an injunction prohibiting the sales, or, with respect to the sales, an obligation on our part to pay royalties and/or other forms of compensation to third parties.

In many cases, patent prosecution of our licensed technology is controlled solely by the licensor. If our licensors fail to obtain and maintain patent or other protection for the proprietary intellectual property we license from them, we could lose our rights to the intellectual property or our exclusivity with respect to those rights, and our competitors could market competing products using the intellectual property. In certain cases, we control the prosecution of patents resulting from licensed technology. In the event we breach any of our obligations related to such prosecution, we may incur significant liability to our licensing partners. Licensing of intellectual property is of critical importance to our business and involves complex legal, business and scientific issues and is complicated by the rapid pace of scientific discovery in our industry. Disputes may arise regarding intellectual property subject to a licensing agreement, including:

- The scope of rights granted under the license agreement and other interpretation-related issues;
- The extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- The sublicensing of patent and other rights under our collaborative development relationships;
- Our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- 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; and
- The priority of invention of patented technology.

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 be unable to successfully develop and commercialize the affected product candidates.

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

Competitors may infringe our patents or the patents of our licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. In addition, in an infringement proceeding, a court may decide that a patent of ours or our licensors is not valid, is unenforceable and/or is not infringed, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing.

Interference proceedings provoked by third parties or brought by us may be necessary to determine the priority of inventions with respect to our patents or patent applications or those of our licensors. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our defense of litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also 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 material adverse effect on the price of our common stock.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law, including provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. The U.S. PTO is currently developing regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, were enacted March 16, 2013. However, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

We employ individuals who were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees, consultants and independent contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including

trade secrets or other proprietary information, of any of our employee's former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.

We may also be subject to claims that former employees, collaborators or other third parties have an ownership interest in our patents or other intellectual property. We may have in the future ownership disputes arising, for example, from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship or ownership. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid to the U.S. PTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and/or applications. The U.S. PTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. Non-compliance may result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors might be able to enter the market and this circumstance would have a material adverse effect on our business.

Issued patents covering our product candidates could be found invalid or unenforceable if challenged in court.

If we or one of our licensing partners initiated legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that the patent covering our product candidate is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the U.S. PTO, or made a misleading statement, during prosecution. Third parties may also raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include re-examination, post grant review, and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings). Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover our product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates. Such a loss of patent protection would have a material adverse impact on our business.

Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biotechnology industry involve both technological and legal complexity, and is therefore obtaining and enforcing biotechnology patents is costly, time-consuming and inherently uncertain. In addition, the United States has recently enacted and is currently implementing wide-ranging patent reform legislation. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the U.S. PTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our inventions in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks related to our business operations

We operate in an extremely competitive environment and there can be no assurances that competing technologies would not harm our business development.

We are engaged in a rapidly evolving field. Competition from numerous pharmaceutical companies including Amgen Inc., Bristol-Myers and the Squibb Corp, F. Hoffmann-La Roche Ltd, Nektar Therapeutics and others, as well as research and academic institutions, is intense and expected to increase. The large and rapidly growing market for liposomal drugs and oncology treatments is likely to attract new entrants. Numerous biotechnology and pharmaceutical companies are focused on developing new liposomal drug delivery systems

and cancer treatments. Many, if not all, of these companies have greater financial and other resources and development capabilities than we do. Many of our competitors also have greater collective experience in undertaking pre-clinical and clinical testing of products, obtaining regulatory approvals and manufacturing and marketing prescription pharmaceutical products. There can be no assurance that our under development drug candidates will be more effective or achieve greater market acceptance than competitive products, or that our competitors will not succeed in developing products and technologies that are more effective than those being developed by us or that would render our products and technologies less competitive or obsolete. See "*Competition*".

Technological advancements by our competitors could result in the obsolescence of some or all of our drug candidates and may harm business development.

The areas in which we are developing and commercializing our drug candidates involve rapidly developing technology. There can be no assurance that we will be able to establish ourselves in such fields, or, if established, that we will be able to maintain our position. There can be no assurance that the development by others of new or improved drugs will not make our drug candidates superfluous or obsolete.

We are a party to collaboration agreements and other significant agreements which contain complex commercial terms that could result in disputes, litigation or indemnification liability that could adversely affect our business, results of operations and financial condition.

We currently derive, and expect to derive in the foreseeable future, all of our revenue from collaboration agreements with biotechnology and pharmaceutical companies. These collaboration agreements contain complex commercial terms, including:

- Clinical development and commercialization obligations that are based on certain commercial reasonableness performance standards that can often be difficult to enforce if disputes arise as to adequacy of our partner's performance;
- Research and development performance and reimbursement obligations for our personnel and other resources allocated to partnered drug candidate development programs;
- Clinical and commercial manufacturing agreements, some of which are priced on an actual cost basis for products supplied by us to our partners with complicated cost allocation formulas and methodologies;
- Clinical development and commercialization obligations that are based on certain commercial reasonableness performance standards that can often be difficult to enforce if disputes arise as to adequacy of our partner's performance;
- Research and development performance and reimbursement obligations for our personnel and other resources allocated to partnered drug candidate development programs;
- Clinical and commercial manufacturing agreements, some of which are priced on an actual cost basis for products supplied by us to our partners with complicated cost allocation formulas and methodologies;
- IP ownership allocation between us and our partners for improvements and new inventions developed during the course of the collaboration;
- Royalties on drug sales based on a number of complex variables, including net sales calculations, geography, scope of patent claim coverage, patent life, generic competitors, bundled pricing and other factors; and
- Indemnity obligations for IP infringement, product liability and certain other claims.

From time to time, we have informal dispute resolution discussions with third parties regarding the appropriate interpretation of the complex commercial terms contained in our agreements. One or more disputes may arise or escalate in the future regarding our collaboration agreements, transaction documents, or

third party license agreements that may ultimately result in costly litigation and unfavorable interpretation of contract terms, which would have a material adverse effect on our business, financial condition and results of operations.

Write-offs related to the impairments of our long-lived assets, including goodwill and indefinite-lived intangible assets, and other non-cash charges such as share-based compensation may adversely impact our results of operations.

We may incur significant non-cash charges related to impairments of our long-lived assets, including goodwill and indefinite-lived intangible assets. Although we did not record any such charges during 2013, we are required to perform periodic impairment reviews of those assets at least annually. In 2012 In-Process Research and Development ("IPR&D") acquired from Serum Institute was immediately impaired as it was not acquired in connection with a business combination. The carrying value of goodwill on our balance sheet that is subject to impairment reviews was approximately $3.7 million and $3.6 million at December 31, 2013 and 2012, respectively, and the carrying value of our indefinite-lived assets was $10.3 million and $10.1 million at December 31, 2013 and 2012, respectively. To the extent future reviews conclude that the expected future cash flows generated from our business activities are not sufficient to recover the carrying value of these assets, we will be required to measure and record an impairment charge to write-down these assets to their realizable values and those impairment charges could be equal to the entire carrying value.

We completed our last review during the fourth quarter of 2013 and determined that goodwill and indefinite-lived intangible assets were not impaired as of December 31, 2013. However, there can be no assurance that upon completion of subsequent reviews a material impairment charge will not be recorded. If future periodic reviews determine that our assets are impaired and a write-down is required, it will adversely impact our operating results.

In addition, we recorded non-cash charges of approximately $432,000 and $340,000 for share-based compensation during 2013 and 2012, respectively. In the future this amount could fluctuate materially as the Company expects to continue to issue share-based compensation awards.

Potential new accounting pronouncements or legislative actions may adversely impact our future financial position or results of operations.

Future changes in financial accounting standards may cause adverse, unexpected fluctuations in the timing of the recognition of revenues or expenses, and may affect our financial position or results of operations. New pronouncements may occur in the future and may cause us to be required to make changes in our accounting policies in the future. Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses. Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations, Public Company Accounting Oversight Board ("PCAOB") pronouncements and NASDAQ rules, are creating uncertainty for companies such as ours and insurance, accounting and auditing costs are high as a result of this uncertainty and other factors.

We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest all reasonably necessary resources to comply with evolving standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Varying interpretations of existing pronouncements and rules have occurred with frequency.

Varying interpretations of existing pronouncements of accounting policies or accounting treatments of existing transactions may cause us to have to restate previously reported result of operations.

For example, in January 2014 we completed the Acquisition that we determined to be a reverse merger business combination. We allocated the purchase price consideration to the assets acquired and liabilities assumed at their estimated fair values as of the date of acquisition. Our determination that the Acquisition meets the criteria for a business combination was based on our best knowledge of the facts and circumstances surrounding the transaction, and requires the application of our judgment. Changes to this determination will result in the transaction to be accounted for as a recapitalization, with no goodwill recorded, which could cause a material change in our reported results of operations and could cause the Company to have to amend prior periodic or other filings with the SEC, at further expense to the Company.

In addition, we do not consider the Company to be a development stage entity for financial reporting presentation purposes. A determination that the Company is a development stage entity could cause a material change in our reported results of operations and could cause the Company to have to amend prior periodic or other filings with the SEC, at further expense to the Company.

Our future success depends on our ability to retain key employees, consultants and advisors and to attract, retain and motivate qualified personnel.

We are highly dependent on principal members of our executive team and key employees, the loss of whose services may adversely impact the achievement of our objectives. Recruiting and retaining other qualified employees, consultants and advisors for our business, including scientific and technical personnel, will also be critical to our success. There is currently a shortage of skilled executives in our industry, which is likely to continue. As a result, competition for skilled personnel is intense and the turnover rate can be high. We may not be able to attract and retain personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for individuals with similar skill sets. In addition, failure to succeed in preclinical or clinical studies may make it more challenging to recruit and retain qualified personnel. The inability to recruit or loss of the services of any executive, key employee, consultant or advisor may impede the progress of our research and development objectives.

We will need to expand our organization and we may experience difficulties in managing this growth, which could disrupt our operations.

As of March 31, 2014, we had eight full-time employees. As we mature, we may need to expand our full-time employee base and to hire more consultants and contractors. Our management may need to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Any future growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of additional product candidates. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our ability to generate and/or grow revenues could be reduced, and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize product candidates and compete effectively will depend, in part, on our ability to effectively manage any future growth.

Our employees, principal investigators, consultants and commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of fraud or other misconduct by our employees, principal investigators, consultants and commercial partners. Misconduct by these parties could include intentional failures to comply with the regulations of the FDA and non-U.S. regulators, provide accurate information to the FDA and non-U.S. regulators, comply with healthcare fraud and abuse laws and regulations in the United States and abroad,

report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Such misconduct could also involve the improper use of information obtained in the course of clinical studies, which could result in regulatory sanctions and cause serious harm to our reputation or could cause regulatory agencies not to approve our product candidates. While we intend to adopt a comprehensive code of conduct applicable to all of our employees, it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

We face potential product liability, and, if successful claims are brought against us, we may incur substantial liability and costs. If the use of our product candidates harms patients, or is perceived to harm patients even when such harm is unrelated to our product candidates, our regulatory approvals could be revoked or otherwise negatively impacted and we could be subject to costly and damaging product liability claims.

The use of our product candidates in clinical studies and the sale of any products for which we obtain marketing approval exposes us to the risk of product liability claims. Product liability claims might be brought against us by consumers, healthcare providers, pharmaceutical companies or others selling or otherwise coming into contact with our products. There is a risk that our product candidates may induce adverse events. If we cannot successfully defend against product liability claims, we could incur substantial liability and costs. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- Impairment of our business reputation;
- Withdrawal of clinical study participants;
- Costs due to related litigation;
- Distraction of management's attention from our primary business;
- Substantial monetary awards to patients or other claimants;
- The inability to commercialize our product candidates' and
- Decreased demand for our product candidates, if approved for commercial sale.

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

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

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials or other work-related injuries, this insurance may not provide adequate coverage against potential liabilities. In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

We may not be successful in our efforts to identify or discover additional product candidates.

The success of our business depends primarily upon our ability to identify and develop product candidates. Although our existing product candidates are currently in clinical development, our research programs may fail to identify other potential product candidates for clinical development for a number of reasons. Our research methodology may be unsuccessful in identifying potential product candidates or our potential product candidates may be shown to have harmful side effects or may have other characteristics that may make the products unmarketable or unlikely to receive marketing approval.

If any of these events occur, we may be forced to abandon our development efforts for a program or programs, which would have a material adverse effect on our business and could potentially cause us to cease operations. Research programs to identify new product candidates require substantial technical, financial and human resources. We may focus our efforts and resources on potential programs or product candidates that ultimately prove to be unsuccessful.

We may use our financial and human resources to pursue a particular research program or product candidate and fail to capitalize on programs or product candidates that may be more profitable or for which there is a greater likelihood of success.

Because we have limited resources, we may forego or delay pursuit of opportunities with certain programs or product candidates or for indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs for product candidates may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through strategic collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate, or we may allocate internal resources to a product candidate in a therapeutic area in which it would have been more advantageous to enter into a partnering arrangement.

We incur significant increased costs as a result of operating as a public company, and our management devotes substantial time to new compliance initiatives.

As a US public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a UK public company. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC, have imposed various requirements on public companies. In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was enacted. There are significant corporate governance and executive compensation related provisions in the Dodd-Frank Act that require the SEC to adopt additional rules and regulations in these areas such as “say on pay” and proxy access. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain our current levels of such coverage.

Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. The recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn, such as the recent global financial crisis, could result in a variety of risks to our business, including, weakened demand for our product candidates and our ability to raise additional capital when needed on acceptable terms, if at all. This is particularly true in Europe, which is undergoing a continued severe economic crisis. A weak or declining economy could also strain our suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our services. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

We or the third parties upon whom we depend may be adversely affected by earthquakes or other natural disasters and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Earthquakes or other natural disasters could severely disrupt our operations, and have a material adverse effect on our business, results of operations, financial condition and prospects. If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure, such as the manufacturing facilities of our third-party contract manufacturers, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place currently are limited and are unlikely to prove adequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which could have a material adverse effect on our business.

Risks related to ownership of our common stock

Because our common stock is quoted on the OTCBB, our liquidity and the price of our common stock are limited.

Our common stock are traded on the OTCBB quotation system, which is a FINRA-sponsored entity and operated inter-dealer automated quotation system for equity securities not included in a national exchange. Quotation of our securities on the OTCBB limits the liquidity and price of our common stock more than if our common stock were quoted or listed on the NYSE or the NASDAQ, which are national securities exchanges. Lack of liquidity will limit the price at which you may be able to sell our securities or your ability to sell our common stock at all.

The market price of our common stock may be highly volatile, and you may not be able to resell your shares at or above the price at which you purchase them.

Companies trading in the stock market in general have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

The market price of our common stock may be volatile. Our stock price could be subject to wide fluctuations in response to a variety of factors, including the following:

- Adverse results or delays in pre-clinical or clinical studies;
- Inability to obtain additional funding;

- Any delay in filing an IND or BLA for any of our product candidates and any adverse development or perceived adverse development with respect to the FDA's review of that IND or BLA;
- Failure to develop successfully our product candidates;
- Failure to maintain our existing strategic collaborations or enter into new collaborations;
- Failure by us or our licensors and strategic collaboration partners to prosecute, maintain or enforce our intellectual property rights;
- Changes in laws or regulations applicable to future products;
- Inability to obtain adequate product supply for our product candidates or the inability to do so at acceptable prices;
- Adverse regulatory decisions;
- Introduction of new products, services or technologies by our competitors;
- Failure to meet or exceed financial projections we may provide to the public;
- Failure to meet or exceed the financial projections of the investment community;
- The perception of the pharmaceutical industry by the public, legislatures, regulators and the investment community;
- Announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us, our strategic collaboration partner or our competitors;
- Disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- Additions or departures of key scientific or management personnel;
- Significant lawsuits, including patent or stockholder litigation;
- Changes in the market valuations of similar companies;
- Sales of our common stock by us or our stockholders in the future; and
- Trading volume of our common stock.

Because our shares may be subject to the penny stock rules, it may be more difficult to sell our shares.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The OTC Markets does not meet such requirements and for so long as the price of our common stock is less than $5.00, our common stock will be deemed penny stocks. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that prior to effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser's written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our securities, and therefore security holders may have difficulty selling their shares.

Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Our executive officers, directors, and their affiliates and other principal stockholders beneficially own approximately 60% of our outstanding common stock. Therefore, these stockholders will have the ability to influence us through their ownership positions. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders, acting together, may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may believe are in your best interest as one of our stockholders.

We are an "emerging growth company," and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We could be an emerging growth company for up to approximately five years, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates exceeds $700.0 million as of any June 30 before that time or if we have total annual gross revenue of $1.0 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31 or, if we issue more than $1.0 billion in non-convertible debt during any three-year period before that time, we would cease to be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company" which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. In the preparation of our accounting reports, we have generally taken the position not to avail ourselves of this exemption from new or revised accounting standards and, therefore, have continued to be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Actual or potential sales of our common stock by our employees, including our executive officers, pursuant to pre-arranged stock trading plans could cause our stock price to fall or prevent it from increasing for numerous reasons, and actual or potential sales by such persons could be viewed negatively by other investors.

In accordance with the guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, and our policies regarding stock transactions, our employees, including executive officers, may adopt stock trading plans pursuant to which they have arranged to sell shares of our common stock from time to time in the future. Generally, sales under such plans by our executive officers and directors require public filings. Actual or potential sales of our common stock by such persons could cause the price of our common stock to fall or prevent it from increasing for numerous reasons. For example, a substantial number of shares of our common stock becoming available (or being perceived to become available) for sale in the public market could cause the market price of our common stock to fall or prevent it from increasing. Also, actual or potential sales by such persons could be viewed negatively by other investors.

Future sales and issuances of our common stock or rights to purchase common stock could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

Additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a

manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

The Company occupies a facility consisting of approximately 4,000 square feet in the Ledgemont Research Center in Lexington, Massachusetts. The premises are divided into approximately 50% laboratory and 50% office space and are leased by the Company's subsidiary, Xenetic Bioscience, Incorporated. The lease provides for an initial term of 61 months commencing January 2014 with an extension option of one additional five year term. We believe that this space is adequate for the Company's current needs and that, if additional space is required, it can be obtained at commercially reasonable terms either within the Ledgemont Research Center or nearby.

The Company's subsidiaries, Xenetic UK and Lipoxen Technologies Limited ("Lipoxen"), jointly occupy approximately 1,200 square feet of general office space in London in the UK. The Company believes that this office space, leased by Xenetic UK, is adequate for the needs of Xenetic UK and Lipoxen for the remaining term of the five year lease that commenced in March 2012 and that if additional space is required that it can be obtained at commercially reasonable terms in the same building or nearby.

ITEM 3 – LEGAL PROCEEDINGS

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us. From time to time, we may be a party to certain legal proceedings, incidental to the normal course of our business. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

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ITEM 4 – MINE SAFETY DISCLOSURES

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 quoted under the symbol "XBIO" on the OTCBB operated by the Financial Industry Regulatory Authority, Inc. ("FINRA") and the OTCQB operated by the OTC Markets Group, Inc. Few market makers continue to participate in the OTCBB system because of high fees charged by FINRA. Consequently, market makers that once quoted our shares on the OTCBB system may no longer be posting a quotation for our shares. As of the date of this report, however, our shares are quoted by several market makers on the OTCQB. The criteria for listing on either the OTCBB or OTCQB are similar and include that we remain current in our SEC reporting. Our reporting is presently current, and since inception, we have filed our SEC reports on time.

Only a limited market exists for our securities. There is no assurance that a regular trading market will develop, or if developed, that it will be sustained. Therefore, a shareholder may be unable to resell his securities in our company.

The following table sets forth the range of high and low prices for our common stock for each of the periods indicated as reported by the OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Year ended December 31, 2012	High Price	Low Price
1st Quarter ended March 31, 2012	$ N/A	$ N/A
2nd Quarter ended June 30, 2012	0.15	0.15
3rd Quarter ended September 30, 2012	0.15	0.15
4th Quarter ended December 31, 2012	0.15	0.15
Year Ended December 31, 2013		
1st Quarter Ended March 31, 2013	$ 0.15	$ 0.15
2nd Quarter Ended June 30, 2013	1.50	0.15
3rd Quarter Ended September 30, 2013	1.50	1.50
4th Quarter Ended December 31, 2013	1.50	0.20

On April 14, 2014 the last sales price per share of our common stock was $0.85.

Prior to entering into the Scheme referred to in Item 1 of Part I above in this Annual Report on Form 10-K, the stock of the accounting acquirer, Xenetic Biosciences plc was traded on the London AIM stock exchange. The table below sets forth the quarterly high and low closing prices for Xenetic Bioscience plc common stock, in pounds sterling ("£"), as quoted on the London AIM stock exchange. The table sets forth the prices after taking into consideration the effects of the share reduction that was part of the Scheme.

Year ended December 31, 2012	High Price	Low Price
1st Quarter ended March 31, 2012	£ 0.34	£ 0.23
2nd Quarter ended June 30, 2012	0.25	0.18
3rd Quarter ended September 30, 2012	0.23	0.18
4th Quarter ended December 31, 2012	0.19	0.14
Year Ended December 31, 2013		
1st Quarter Ended March 31, 2013	£ 0.30	£ 0.14
2nd Quarter Ended June 30, 2013	0.24	0.19
3rd Quarter Ended September 30, 2013	0.22	0.18
4th Quarter Ended December 31, 2013	0.20	0.13

Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that the current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; and (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Holders of Record

As of March 31, 2014 there were 382 holders of common stock of the Company of record.

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

- We would not be able to pay our debts as they become due in the usual course of business; or
- Our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

The Company has never previously declared or paid any cash dividends on its common stock. We currently intend to retain earnings and profits, if any, to support our business strategy and do not intend to pay any cash dividends within the foreseeable future. Any future determination to pay cash dividends will be at the sole discretion of the Company's Board of Directors and will depend upon the financial condition of the Company, its operating results, capital requirements, general business conditions and any other factors that the Board of Directors deems relevant.

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ITEM 6 – SELECTED FINANCIAL DATA

We are not required to provide the information required by this Item because we are a smaller reporting company.

Recent Sales of Unregistered Securities

Baxter SA Purchase Agreement – Unregistered Shares Sold in January 2014

On January 29, 2014 the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") with Baxter SA, pursuant to which the Company sold to Baxter SA 10,695,187 shares of the Company's common stock, par value $0.01 per share (the "Shares") for $10 million (the "Purchase Price"). The Purchase Agreement is filed with this Annual Report on Form 10-K as exhibit 10.8 and is incorporated herein by reference.

Pursuant to the Purchase Agreement, Baxter SA agreed that until the earlier of (i) three months after the effective date of the listing of the Company's common stock on the NASDAQ Stock Market; or (ii) January 29, 2015, Baxter SA would not assign, transfer, sell or dispose of the Shares to any party other than a wholly owned subsidiary. In addition, Baxter SA agreed that until the 12 month anniversary of the Lock-Up Expiration Date, it would not sell or offer to sell any shares of common stock of the Company in an amount that would exceed 15% of the daily trading volume of the Company's common stock on the principal market or exchange on which the Company's shares of common stock are traded, and in no event would Baxter SA sell or offer to sell more than 15% of the Shares in any one month period.

Repurchases of Equity Securities of the Issuer

During 2013, we did not repurchase any of our outstanding securities.

ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS OVERVIEW

As discussed under Recent Developments in Item 1, above, in this Annual Report filed on Form 10-K, the Company is now carrying on the business of Xenetic UK as its sole line of business. Xenetic UK, and now therefore, the Company, is a clinical stage biopharmaceutical company that is focused on the development of certain drug candidates for use in humans that incorporate the use of its patented and proprietary platform technologies that we believe will enable the creation of novel and next generation drug therapies.

The Company is currently in various stages of development with respect to its three core patented and proprietary technologies, these being, PolyXen® (for biologics), OncoHist™ (as a broad spectrum oncology therapy), and ImuXen® (for vaccines).

The Company's three core technologies are summarized as follows:

PolyXen®	An enabling technology that utilizes Polysialic Acid ("PSA"), a biopolymer, a chain of sialic acids which is a natural constituent of the human body. PSA is designed to extend the half-life in circulation in the human body for a variety of existing drug molecules and, thereby, to create potentially superior next generation drug candidates.
OncoHist™	A novel therapeutic platform that utilizes the properties of H1.3 for the development of drug candidates for the treatment of a broad range of cancer indications. OncoHist™, unlike many competing oncology therapies, is based on a molecule occurring naturally in the human body, in the cell nucleus, and is therefore expected to be less toxic and immunogenetic than other oncology therapies.
ImuXen®	A novel liposomal co-entrapment encapsulation technology designed to create new vaccines and improve the use and efficacy of certain existing vaccines for use in the human body. The technology is based on the co-entrapment of the nominated antigen(s) in a liposomal vesicle, a design that is intended to maximize both cell and immune system mediated responses.

All of the Company's current drug candidates are in the development stage and none has yet received regulatory approval for marketing in the US by the FDA or by any other applicable agencies in other countries.

Critical Accounting Estimates

The preparation of our financial statements in conformity with US GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. On an ongoing basis, we evaluate our estimates that are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Management believes that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most difficult subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. The following narrative describes these critical accounting estimates, the judgments and assumptions and the effect if actual results differ from these assumptions.

Revenue Recognition

We derive our revenue from our supply services, license and collaboration arrangements with pharmaceutical and biotechnology partners, some of which include royalty agreements based on potential net sales of approved commercial pharmaceutical products. Revenue from our collaborative partners are generally paid directly by the partners and are recognized on the accrual basis when all the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery (or passage of title) has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured.

The terms of our license agreements include delivery of an IP license to a collaboration partner. We may be compensated under license arrangements through a combination of non-refundable upfront receipts, development and regulatory objective receipts and royalty receipts on future product sales by partners. We make our best estimate of the period over which we expect to fulfil our performance obligations, which may include technology transfer assistance, research activities, clinical development activities, and manufacturing activities from development through the commercialization of the product. Given the uncertainties of these collaboration arrangements, significant judgment is required to determine the duration of the performance period.

Non-refundable upfront license fees received, whereby continued performance or future obligations are considered inconsequential or perfunctory to the relevant licensed technology, are recognized as revenue upon delivery of the technology in accordance with US GAAP. This determination requires significant judgment to assess the nature of any continuing obligations. Reimbursements for research and development services completed by us related to the collaboration agreements are recognized in operations as revenue on a gross basis. Supply services are primarily derived from cost-plus and fixed price supply agreements with our collaboration partners and revenue is recognized when the revenue recognition criteria are met.

We expect to receive royalty receipts in the future as products are sold. We expect to recognize royalty revenue in the period of sale, based on the underlying contract terms, provided that the reported sales are reliably measurable and we have no remaining performance obligations, assuming all other revenue recognition criteria are met.

Our license and collaboration agreements with certain collaboration partners could also provide for future receipts to us based solely upon the performance of the respective collaboration partner in consideration of milestone extensions or upon the achievement of specified sales volumes of approved drugs. For such receipts, we expect to recognize the receipts as revenue when earned under the applicable contract terms on a performance basis or ratably over the term of the agreement. These receipts may also be recognized as revenue when continued performance or future obligations by us are considered inconsequential or perfunctory.

Share-Based Compensation

Share-based compensation includes grants of options to employees and non-employees to purchase shares of common stock, grants of Joint Share Ownership Plan ("JSOP") awards to employees, as well as agreements to issue common stock in exchange for services provided by non-employees. Currently, we maintain two share option plans pursuant to which we may grant options to purchase shares of common stock to employees and non-employees. These option plans are called the Lipoxen plc Unapproved Share Option Plan and the Xenetic Biosciences plc 2007 Share Option Scheme. Both of these plans were converted subsequent to year end to reflect the new shares of common stock issued related to the Acquisition. As part of the conversion, option holders under both plans have the right to subscribe for a number of shares of common stock in exchange for the cancellation and surrender by the option holder in a manner similar to which the shareholders prior to the Acquisition were given the right to acquire shares of common stock in the new company according to the terms of the Acquisition.

Our share-based compensation expense for employee and non-employee stock options, common stock awards to non-employees and JSOP awards is as follows for the years ended December 31, 2013 and 2012:

	Year ended December 31,	
	2013	2012
Research and development expenses	$ 60,980	$ 41,851
Administrative expenses	370,524	297,929
Total share-based compensation expense	$ 431,504	$ 339,780

Share-based compensation increased by $91,724, or 27%, from 2012 to 2013. This increase is largely due to the general increase in share-based awards issued to employees and non-employees as well as an approximately $43,000 increase in JSOP award compensation because 2013 was the first full year of issuance. We expect the impact of our share-based compensation expense for stock options to grow in future periods due to the potential increases in the value of our common stock and employee headcount. Subsequent to December 31, 2013, the 2012 JSOP awards fully vested under the terms of the JSOP due to market conditions that were achieved, which required each tranche of JSOP shares to meet specific share price hurdles. As a result, we expect to recognize $326,066 of compensation expense during the first quarter of 2014 related to this accelerated vesting.

We measure share-based payments in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 718, *Compensation – Stock Compensation*. Stock option compensation expenses are based on the estimated fair value of the underlying option calculated using the Black-Scholes option pricing model, which requires the input of subjective assumptions and judgments, including estimating share price volatility and expected term of the awards. Our shares do not have a sufficient trading history for us to adequately assess the fair value of the stock option grants. Therefore, for all share-based payments, we determine the expected volatility based on a weighted-average of the historical volatility of a peer group of comparable publicly traded companies with product candidates in similar stages of development to our product candidates in conjunction with our historical volatility. We intend to continue to consistently apply this methodology of using comparable companies until a sufficient amount of historical information regarding the volatility of our own share price becomes available. We estimate the expected term of stock options granted to employees using judgment based on the anticipated research and development milestones of our clinical projects and behavior of our employees. The expected term of non-employee options is the contractual life of the option. The assumptions used in calculating the fair value of the stock option grants represent our best estimates and involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use different assumptions, share-based compensation expense could be materially different in the future.

For employee options, the fair value measurement date is generally on the date of grant and the related compensation expense is recognized on a straight-line basis over the requisite period of the awards, less expense for expected forfeitures. Share-based compensation expense related to stock options granted to non-employees is recognized as services are rendered on a straight-line basis. For non-employee options, the fair value measurement date is the earlier of the date the performance of services is complete or the date the performance commitment has been reached. The Company generally determines the fair value of the non-employee options is more reliably measurable than the fair value of the services received. Compensation expense related to stock options granted to non-employees is subject to re-measurement at each reporting period until the options vest. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. During 2013 and 2012, we applied a forfeiture rate of 0% as we have not historically experienced forfeitures. During 2013, options to purchase approximately two million shares of common stock were forfeited by a management executive as a result of his unanticipated short period of employment, however we concluded this situation is an independent event and we do not expect this type of forfeiture to reoccur in the future. Upon exercise, stock options are redeemed for newly issued shares of common stock.

The fair value of common stock awards issued in exchange for services provided by non-employees is generally determined by using the fair value of the services provided, as this provides the most reliable measure of the fair value of the awards. Share-based compensation expense is recognized as services are rendered on a straight-line basis. During the years ended December 31, 2013 and 2012, we granted 282,509 and 177,607 common stock awards, respectively, with an aggregate grant date fair value of $85,825 and $58,339, respectively. The assumptions used in calculating the fair value of the common stock awards represent our best estimates and involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use different assumptions, share-based compensation expense related to the common stock awards could be materially different in the future.

Under the JSOP, shares of the Company are jointly purchased at fair market value by the participating executives and the trustees of the JSOP trust, with shares held in the JSOP trust. For US GAAP purposes the awards are valued as employee options. The JSOP trust holds the shares of the JSOP until such time as the JSOP shares are vested and the participating executives exercise their rights under the JSOP. The JSOP trust is granted an interest bearing loan by the Company in order to fund the purchase of its interest in the JSOP shares. The loan held by the trust is eliminated on consolidation in the financial statements of the Company. The Company funded portion of the share purchase price is deemed to be held in treasury until such time as they are transferred to the employee and is recorded as a reduction in equity.

The exercise price of the “option” is deemed to be the market value of the shares at the date of issue. The awards vest based on certain market conditions, which require each tranche of shares to meet specific market share price hurdles, or change in control conditions, as defined by the plan. Under the JSOP and subject to the vesting of the participants’ interest, participating executives will, when the JSOP shares are sold, be entitled to a share of the proceeds of sale equal to the growth in market value of the JSOP shares versus the exercise price, less simple interest on the original share purchase price, net of executives’ cash contribution at inception, as agreed for each grant (the “Carry Charge”). The balance of the proceeds will remain to the benefit of the JSOP trust and be applied to the repayment of the loan originally made by the Company to the JSOP trust. Any funds remaining in the JSOP trust after settlement of the loan and any expenses of the JSOP trust are for the benefit of the Company.

We measure the fair value of JSOP awards using Monte Carlo simulations, which requires estimates based on the Company’s judgment, as well as other assumptions. These estimates include the expected term of each tranche of the JSOP awards, which the Company determines to be the initial life of the awards, and expected volatility, which is based on a weighted average of the historical volatility of a peer group of comparable publicly traded companies with product candidates in similar stages of development to the Company’s product candidates in conjunction with the historical volatility of Xenetic Biosciences plc’s shares when traded on the UK AIM market. The Company has applied an expected dividend yield of 0% as the Company has not historically declared a dividend and does not anticipate declaring a dividend during the expected life of the awards. The risk-free rate is based upon the US Treasury yield curve in effect at the time of grant, with a term that approximates the expected life of the awards. The compensation expense is recorded over the expected life of the option, regardless of whether the awards vest. Having established the full value of the JSOP awards using the Monte Carlo simulation outlined above, a deduction is made in respect of the anticipated Carry Charge in order that the expense recorded in the financial statements only represents the participating executives’ net interest in the awards. The assumptions used in calculating the fair value of the JSOP awards represent our best estimates and involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use different assumptions, share-based compensation expense related to the JSOP awards could be materially different in the future.

On exercise of the JSOP awards by the executives the Carry Charge due to the Company will be recognized as additional paid-in capital, arising from the sale of treasury stock.

Business Combinations

We have a history of engaging in acquisition transactions that require us to evaluate whether the transaction meets the criteria for a business combination and, in some cases, whether it meets the definition of a reverse merger. For those acquisitions that meet the criteria for a reverse merger, we evaluate the entities involved to distinguish the appropriate accounting acquirer and acquiree according to ASC Topic 805, *Business Combinations* ("ASC 805"). If the transaction does not meet the reverse merger business combination requirements, the transaction is accounted for as a recapitalization and no goodwill or intangible assets are recognized. If the acquisition meets the definition of a business combination, we allocate the purchase price, including any contingent consideration, to the assets acquired and the liabilities assumed at their estimated fair values as of the date of the acquisition with any excess of the purchase price paid over the estimated fair value of net assets acquired recorded as goodwill. The fair value of the assets acquired and liabilities assumed is typically determined by using either estimates of replacement costs or discounted cash flow valuation methods.

When determining the fair value of tangible assets acquired, we estimate the cost to replace the asset with a new asset taking into consideration such factors as age, condition and the economic useful life of the asset. When determining the fair value of intangible assets acquired, we use judgment to estimate the applicable discount rate, growth rates and the timing and amount of future cash flows. The fair value of assets acquired and liabilities assumed is typically determined using the assistance of an independent third party specialist. The assumptions used in calculating the fair value of tangible and intangible assets represent our best estimates and involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use different assumptions, valuations of tangible and intangible assets and the resulting goodwill balance related to the business combination could be materially different or impaired in the future.

Subsequent to December 31, 2013, we completed the Acquisition that we determined to be a reverse merger business combination. In accordance with ASC 805, we allocated the purchase price consideration to the assets acquired and liabilities assumed at their estimated fair values as of the date of acquisition. Our determination that the Acquisition meets the criteria for a business combination was based on our best knowledge of the facts and circumstances surrounding the transaction, and requires the application of our judgment.

Goodwill and Indefinite-lived Intangible Assets

Goodwill

Goodwill is not amortized but is reviewed for impairment annually as of October 1, or when events or changes in the business environment indicate that all, or a portion, of the carrying value of the reporting unit may no longer be recoverable, using the two-step impairment review. Under this method, we compare the fair value of our reporting unit to its carrying value. If the fair value is less than the carrying amount, a more detailed analysis is performed to determine if goodwill is impaired. An impairment loss, if any, is measured as the excess of the carrying value of goodwill over the fair value of goodwill. We also have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads us to determine that it is more likely than not (that is, a likelihood of more than 50%) that goodwill is impaired. If we choose to first assess qualitative factors and it is determined that it is not more likely than not that goodwill is impaired, we are not require to take further action to test for impairment. We also have the option to bypass the qualitative assessment and perform only the quantitative impairment test, which we may choose to do in some periods but not in others.

We determine our reporting unit by identifying the components of our operating segment with similar economic characteristics based on quantitative and qualitative factors that have discrete financial information available. We determined that we have one reporting unit as of October 1, 2013 and 2012, the dates of our annual impairment reviews. Based on our annual impairment reviews, we determined no adjustment to the carrying value of goodwill would be necessary as the fair value of our reporting unit exceeded its respective carrying value by 104% and 58% as of October 1, 2013 and 2012 respectively. We engaged an independent third party to assist with our impairment review for both 2013 and 2012, and determined the fair value of the reporting unit by assessing our overall market capitalization. There can be no assurance that future events will not result in an impairment of goodwill.

Indefinite-lived Intangible Assets

Our indefinite-lived intangible assets consist of acquired IPR&D. IPR&D intangible assets are considered indefinite-lived intangible assets until completion or abandonment of the associated research and development efforts. IPR&D is not amortized but is reviewed for impairment annually as of October 1, or when events or changes in the business environment indicate the carrying value may be impaired. If the fair value of the intangible asset is less than the carrying amount, we perform a quantitative test to determine the fair value. The impairment loss, if any, is measured as the excess of the carrying value of the intangible asset over its fair value. We also have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads us to determine that it is more likely than not (that is, a likelihood of more than 50%) that our indefinite-lived intangible asset is impaired. If we choose to first assess qualitative factors and it is determined that it is not more likely than not our indefinite-lived intangible asset is impaired, we are not required to take further action to test for impairment. We also have the option to bypass the qualitative assessment and perform only the quantitative impairment test, which we may choose to do in some periods buy not in others. The fair value of the indefinite-lived intangible asset exceeded its carrying value as of October 1, 2013 and 2012 by 1% and 87% respectively.

Significant judgments are inherent in the calculation of fair value. With the assistance of an independent third party, we calculated the fair value of our IPR&D by using the Multi-Period Excess Earnings Method (the “MPEEM”) which is a form of the income approach. Under the MPEEM, the fair value of an intangible asset is equal to the present value of the asset’s incremental after-tax cash flows (excess earnings) remaining after deducting the market rates of return on the estimated value of contributory assets (contributory charge) over its remaining useful life. This method requires us to make long-term projections of the amount and timing of income and expenses related to development and commercialization of the acquired intangible asset and assumptions regarding the rate of return on contributory assets, the weighted average cost of capital and the discount rate for estimated future after-tax cash flows. Specifically, this method took into account our estimates of future incremental milestone payments that may be achieved upon completion of clinical trial stages, regulatory approval and sales goals upon commercialization, as well as our expected royalty income based on sales upon commercialization. Projected expenses are based on our forecasted spend required to complete the development of our IPR&D and are estimates subject to change based on several factors including the results of clinical trials and delays in regulatory approval. The discount rate used is commensurate with the uncertainties associated with the economic estimates described above and reflects the stage of development, the time and resources needed to complete the development of the product and the risks of advancement through regulatory approval processes.

Key assumptions utilized in the fair valuation of our indefinite-lived intangible asset OncoHist™ are as follows:

- Discount rate – 51.5%
- Weighted average cost of capital – 20.5%
- Estimated aggregate milestone receipts – $220 million (between 2018 and 2021)
- Royalty rate – 10.0% of net sales

While we believe reasonable estimates and appropriate assumptions were utilized to calculate the fair value of OncoHist™, it is possible a material change could occur. Use of different estimates and judgments could

yield materially different results in our analysis and could result in materially different asset values or expense. The following table shows the decline in the fair value of OncoHist™ that would result from a 1% increase in the discount rate and a 5% decrease in the expected milestone income as of October 1, 2013, our most recent impairment analysis date:

Indefinite-Lived Intangible Asset	Discount Rate	Milestone Income
OncoHist™ change in fair value as of December 31, 2013	$ (688,000)	$ (826,000)

A 1% increase in the discount rate and a 5% decrease in the expected milestone income would result in an impairment of approximately $405,000 and $545,000, respectively, during the current period.

There can be no assurance that we will be able to successfully develop and complete the acquired IPR&D program and profitably commercialize the underlying product candidates before our competitors develop and commercialize similar products, or at all. Moreover, if the acquired IPR&D program fails or is abandoned during development, then we may not realize the value we have estimated and recorded in our financial statements on the acquisition date, and we may also not recover the research and development investment made since the acquisition date to further develop that program. If such circumstances were to occur, our future operating results could be materially adversely impacted.

We did not record an impairment charge as a result of our goodwill and indefinite-lived intangible asset impairment tests in 2013 and 2012. We will continue to closely monitor the performance of our indefinite-lived intangible asset and reporting unit. If the business experiences adverse changes in our key assumptions and judgments, we will perform an interim goodwill and/or indefinite-lived intangible asset impairment analysis. There can be no assurance that future events will not result in an impairment of our goodwill or indefinite-lived intangible asset.

RESULTS OF OPERATIONS

The comparison of our historical results of operations for the year ended December 31, 2013 to the year ended December 31, 2012 is as follows:

Description	2013	2012	Increase (Decrease)	Percentage Change
Revenue	$ 1,000,000	$ 293,603	$ 706,397	240.6
Cost of revenue	-	44,838	(44,838)	100.0
Gross profit	1,000,000	248,765	751,235	302.0
Operating costs and expenses:				
Research and development	3,060,306	1,943,504	1,116,802	57.5
General and administrative	6,553,163	3,561,898	2,991,265	84.0
Impairments	-	1,087,638	(1,087,638)	100.0
Loss from operations	(8,613,469)	(6,344,275)	(2,269,194)	35.8
Other income (expense):				
Interest income	34,855	67,674	(32,819)	48.5
Interest expense	(632)	(51,739)	51,107	98.8
	34,223	15,935	18,288	114.8
Loss before income taxes	(8,579,246)	(6,328,340)	(2,250,906)	35.6
Income tax	-	-	-	-
Net loss	$ (8,579,246)	$ (6,328,340)	$ (2,250,906)	35.6

Revenue

Revenue for the year ended December 31, 2013 increased by approximately $706,000, or 240% to $1 million from $293,603 in 2012. The revenue for 2012 was comprised of sales generated from supply services. There were no sales from supply services during 2013. The revenue for 2013 is comprised of a single transaction consisting of an upfront non-refundable license fee in the amount of $1 million received from Baxter. We did not record any upfront license fee revenue from Baxter during 2012.

Cost of Revenue

Cost of revenue decreased to $0 for the year ended December 31, 2013 from $44,838 in 2012. During 2012 the cost of revenue primarily consisted of cost of supply services. The only revenue recorded during 2013 consisted of an upfront non-refundable license fee that had no direct costs associated with it for the period.

Research and Development

The Company engages in independent research and development ("R&D") in connection with its various technologies.

The total R&D spend by subsidiary location for the years ended December 31, 2013 and 2012 is set forth in the table below:

	Year ended December 31,	
Subsidiary Location	**2013**	**2012**
United Kingdom	$ 2,680,389	$ 1,265,203
United States	369,813	148,101
Germany	10,104	530,200
Total research and development expense	$ 3,060,306	$ 1,943,504

Overall, corporate R&D expenses for the year ended December 31, 2013 increased by approximately $1.12 million, or 58% to $3.06 million from $1.94 million in 2012 as indicated in the table below which sets forth the R&D costs incurred by the Company, by category of expense, for the years ended December 31, 2013 and 2012:

	Year ended December 31,	
Category of Expense	**2013**	**2012**
Salaries and wages	$ 1,191,806	$ 1,176,165
Share-based compensation expense	60,980	41,851
Outside services and Contract Research Organizations	1,456,333	-
Rents	237,888	314,974
Lab consumables	33,734	184,560
Other	79,565	225,954
Total research and development expense	$ 3,060,306	$ 1,943,504

Research and Development by Subsidiary Location

The increase in R&D expenses in the UK during 2013 was primarily due to costs incurred by Lipoxen in connection with the commencement of the ErepoXen® human clinical trials in Australia. No such costs were incurred in 2012. The remainder of the increase in the UK expenses can be attributed to in-house efforts to advance our OncoHist™ program, which costs had previously been incurred in Germany. During 2012 we relocated SymbioTec's operations from Germany to the UK.

During 2013 we began the process of transitioning our R&D laboratory facilities to the US, leading to a marginal reduction in non-program specific related costs incurred in the UK, with a corresponding increase in costs incurred in the US. The Company expects to report a sharp increase in US-based R&D expenses in 2014 as the new Lexington facility are brought up to full operational activity.

Research and Development by Category of Expense

Salaries and Wages

In aggregate, salaries and wages show no material change between 2012 and 2013. Although the total expense has remained consistent, as explained above, the relocation of our R&D laboratory facilities has resulted in a shift in the subsidiary location in which the expense is incurred.

Share-based Compensation

The increase in share-based compensation expenses from 2012 to 2013 is a result of stock option awards made to US-based R&D staff in 2012 in which only a part year charge was incurred.

Outside Services and CRO Costs

As previously noted, the increase in outside services and CRO costs is primarily due to the commencement of ErepoXen® human clinical trials in Australia during 2013. The remaining increase related to internal programs.

Rents

During the years ended December 31, 2013 and 2012, the Company operated from two sites in London, being, a laboratory facility, which has since been closed, and a general and administrative office. We also maintained a laboratory facility in Germany following our acquisition in early 2012 of SymbioTec, which facility was closed in late 2012, leading to a reduction in rent expense between 2012 and 2013.

Lab Consumables

The reduction in lab consumables expense is due to decreased in-house laboratory activities, partially related to the relocation of the laboratory facility from the UK to the US.

Other

The reduction in other expense results from the net aggregate change of all miscellaneous costs.

Clinical Development Strategy

The Company's strategy has been to co-ordinate its R&D effort through its new US Lexington facility. This has entailed the closing of laboratory facilities in both Germany and the UK. The Company has a clear strategy of becoming a specialty drug developer. Accordingly it plans to increase both its current US-based internal level of effort alongside the initiation of new programs with the assistance of external entities, such as Contract Research and Contract Manufacturing Organizations. There will, therefore, be a need for the Company to access additional capital resources to fund this strategy and the rate at which the strategy can be implemented will be entirely dependent upon access to such funding.

General and Administrative

General and administrative expenses increased by approximately $2.99 million, or 84% for the year ended December 31, 2013 to $6.55 million from $3.56 million in 2012. The most significant increase in general and administrative costs relates to the approximately $2.6 million of legal, professional and accounting costs incurred in 2013 associated with the Company's strategic decision to move from a UK based, London AIM quoted, organization, to a US based, publicly traded company, which included the costs associated with establishing research and administrative facilities in Massachusetts. There were no costs associated with this expense during 2012.

Salaries and wages and share-based compensation increased by approximately $404,000 and $73,000 respectively. All other general and administrative expenses resulted in a net decrease of approximately $198,000 for the year ended December 31, 2013 over the comparable period in 2012.

Impairment of In-Process Research and Development

We did not record any impairment charges related to acquisitions of IPR&D during 2013. The 2012 impairment charge resulted from a write-down of acquired IPR&D from Serum Institute during the year in exchange for shares in the Company. In accordance with ASC Topic 730, *Research and Development*, IPR&D acquired outside of a business combination that will be used for a particular research and development project and that have no alternative future use are charged to expense during the period.

Interest Income

Interest income decreased by $32,819, or 48% to $34,855 for the year ended December 31, 2013 from $67,674 in 2012. The decrease is proportional to the decrease in average cash balances held by the Company during the period from January 1, 2012 to December 31, 2013 and is not due to any change in investments.

Interest Expense

Interest expense decreased by $51,107, 99% to $632 for the year ended December 31, 2013 from $51,739 in 2012. The decrease is related to interest on loans from related parties that ceased accruing interest during 2012 as per non-written agreements between the related parties.

Liquidity and Capital Resources

We have historically relied upon equity financing to fund our operations. Since 2005 we have raised approximately $47 million in equity financing, including $10 million from the sale of shares to Baxter in January 2014, while recording revenues of approximately $10 million during that same period. Approximately 90% of that revenue is from a single customer, Baxter, in connection with milestone receipts and fees for services. We expect the majority of our funding through equity instruments to continue as a trend for the foreseeable future. We are also presently investigating raising additional working capital through debt instruments. There can be no assurance that we will be successful in our efforts to raise additional working capital, and even if we are successful that we will be able to do so on commercially reasonable terms.

The only significant receipts that we expect may fall due under our current arrangements would be from Baxter. Due to the uncertainties and risks inherent in the clinical development process, we are unable to predict precisely when those receipts may occur, if ever. We do not expect any significant receipts to become due before 2016, however there can be no assurance that future receipts will ever become due because they are contingent on positive outcomes from Baxter's clinical development efforts in connection with the Factor VIII drug candidate. We expect to begin seeking out-license arrangements for our ErepoXen® technology by the end of 2014, but we do not expect any new fees to be received before 2015, at the earliest. Due to the uncertainties inherent in the clinical research process and unknown future market conditions, there can be no assurance our ErepoXen® technology will lead to any future fees.

Baxter currently holds a share warrant entitling them to subscribe for approximately 4.59 million new shares of common stock in the Company at a price of $0.4660 per share. This entitlement is due to expire in June 2015.

We had working capital of approximately $1.7 million and $10.1 million as of December 31, 2013 and 2012 respectively. At December 31, 2013 we had approximately $4.8 million in cash and $3.6 million in total current liabilities. As of December 31, 2012 we had cash and current liabilities of $11.1 million and $1.4 million respectively. Our working capital has been reduced in 2013 due to our net loss of $8.6 million that includes significant costs not expected to recur beyond the second quarter of 2014, in connection with the Company carrying out the Scheme and relocation of its laboratory facilities to the US.

After incorporating the receipt of $10 million in equity financing from Baxter in January 2014, we estimate that we have at least 12 months of working capital on hand to fund our base business plan from December 31, 2013. Management is currently engaged in meetings and discussions with investment banking firms for the purpose of engaging one or more firms to raise additional working capital for the Company during 2014 either through issuances of debt or equity or a combination of debt and equity. Additional funding during 2014 will enable us to accelerate certain development programs above our base business plan that includes the continuation of the development of its various drug candidates. Although management is optimistic about its ability to raise additional working capital, there can be no assurance that it will be successful or that, if it is able to raise additional working capital, it can do so on commercially reasonable terms.

The following is a summary of our significant equity funding sources from 2005 to the present:

During 2005

During 2005 the Company entered into several small private placements of its stock pursuant to which the Company sold approximately 1.2 million shares of its newly issued common stock, raising $1.24 million, net of issuance costs of approximately $60,000.

During 2006

On January 16, 2006 the Company entered into a private placement of its stock pursuant to which the Company sold approximately 8.96 million shares of its newly issued common stock raising approximately $6.63 million, net of issuance costs of approximately $83,000.

On August 21, 2006 the Company entered into a stock purchase agreement with its collaborative partner, Serum Institute, whereby the Company sold to Serum Institute approximately 3.2 million shares of its newly issued common stock raising $4.89 million. Issuance costs were not material.

During 2009

On May 29, 2009 the Company entered into a private placement of its stock pursuant to which the Company sold approximately 10.94 million shares of its newly issued common stock raising $4.33 million, net of issuance costs of approximately $300,000.

During 2010

On April 1, 2010 the Company entered into a private placement of its stock pursuant to which the Company sold approximately 5.6 million shares of its newly issued common stock raising approximately $1.77 million, net of issuance costs of approximately $92,000.

During 2011

On December 2, 2011 the Company entered into a stock purchase agreement with its collaborative partner, SynBio, pursuant to which the Company sold to SynBio approximately 35.46 million of its newly issued common stock raising approximately $18.6 million, net of issuance costs of approximately $354,000.

During 2012

On January 16, 2012 the Company entered into a stock purchase agreement with its collaborative partner, Serum Institute, pursuant to which the Company sold to Serum Institute 800,000 of its newly issued common stock for $275,000. Issuance costs were not material.

During 2014

On January 29, 2014 the Company entered into a stock purchase agreement with its collaborative partner Baxter, pursuant to which the Company sold to Baxter approximately 10.7 million shares of the Company's common stock, par value $0.01 per share for $10 million. Issuance costs were not material.

Cash Flows Used in Operating Activities

Cash flows used in operating activities for the year ended December 31, 2013 totaled approximately $6.05 million, which includes net operating cash uses of approximately $7.05 million, partially offset by $1 million in payments received from Baxter. The $7.05 million includes approximately $2.42 million in salaries and wages, including scientific staff, and $1.45 million in program-specific clinical development costs.

Cash flows used in operating activities for the year ended December 31, 2012 totaled approximately $6.26 million, which includes net operating cash uses of approximately $6.55 million, partially offset by approximately $0.16 million in sales collected. The $6.55 million consists of approximately $2.50 million in salaries and wages, including scientific staff, and $0 in program-specific clinical development costs.

We expect our 2014 cash used in operating activities to be substantially higher than 2012 and 2013, predominantly directed at R&D activities in connection with our outside services and CROs. Since there are no milestone receipts expected to fall due during 2014, we do not expect any significant cash sources to be derived from revenues in 2014.

Cash Flows from Investing Activities

Cash flows used in investing activities included approximately $79,000 from the purchase of assets consisting of office furniture and fixtures and laboratory equipment for the year ended December 31, 2013. During 2013, we restricted $66,000 in cash as a guarantee of the Company's obligations under non-cancelable lease obligations.

For the year ended December 31, 2012 cash flows used in investing activities included approximately $131,000 from the purchase of assets consisting of office furniture and fixtures and laboratory equipment, partially offset from cash received from sales of property and equipment in the amount of $38,000.

Cash Flow from Financing Activities

For the year ended December 31, 2013 we had no significant sources or uses of funds from financing activities.

For the year ended December 31, 2012 we received approximately $403,000 in proceeds from issuances of common stock and employee participation in the JSOP, net of stock issuance costs of approximately $81,000. We used approximately $706,000 to pay loans from related parties.

During January 2014, we raised $10 million in equity financing from Baxter SA, for working capital to support our continuing business plan.

Off Balance Sheet Arrangements

The Company has no off balance sheet financing arrangements. The Company has two facility lease obligations and written employment agreements with three key employees.

Recent Accounting Pronouncements

We have considered recent accounting pronouncements determined that they are either not applicable to our business or that no material effect is expected on the consolidated financial statements as a result of future adoption.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not required to provide the information required by this Item because we are a smaller reporting company.

XENETIC BIOSCIENCES, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Xenetic Biosciences, Inc.

We have audited the accompanying consolidated balance sheets of Xenetic Biosciences, Inc. (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive loss, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2013. Our audits also include the financial statement schedule. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Xenetic Biosciences, Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2013, in conformity with US generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP

Reading, United Kingdom
April 10, 2014

XENETIC BIOSCIENCES, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2013	**2012**
ASSETS		
Current assets:		
Cash	$ 4,839,486	$ 11,136,870
Restricted cash	66,000	-
Accounts receivable	-	130,258
Other receivables	256,015	81,926
Prepaid expenses and other	168,308	195,907
Total current assets	5,329,809	11,544,961
Property and equipment, net	152,603	122,082
Goodwill	3,665,199	3,592,073
Indefinite-lived intangible assets	10,318,001	10,112,141
Total assets	$ 19,465,612	$ 25,371,257
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 942,156	$ 119,669
Accrued expenses	1,826,867	456,744
Accrued payroll taxes	84,599	86,600
Other current liabilities	55,266	53,656
Loans due to related parties	681,124	682,993
Total current liabilities	3,590,012	1,399,662
Deferred tax liability	3,257,910	3,192,909
Total liabilities	6,847,922	4,592,571
Commitments and contingent liabilities (Note 9)	-	-
Stockholders' equity:		
Common stock, $0.01 par value; 215,456,000 shares authorized as of December 31, 2013 and 2012; 130,575,516 and 130,520,137 shares issued as of December 31, 2013 and 2012; 119,887,322 and 119,831,943 shares outstanding as of December 31, 2013 and 2012 respectively	1,305,755	1,305,201
Additional paid in capital	73,999,860	73,566,820
Accumulated deficit	(58,306,999)	(49,727,753)
Accumulated other comprehensive income	900,254	915,598
Treasury stock	(5,281,180)	(5,281,180)
Total stockholders' equity	12,617,690	20,778,686
Total liabilities and stockholders' equity	$ 19,465,612	$ 25,371,257

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

XENETIC BIOSCIENCES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	YEAR ENDED DECEMBER 31,	
	2013	**2012**
Revenue	$ 1,000,000	$ 293,603
Cost of revenue	-	44,838
Gross profit	1,000,000	248,765
Operating costs and expenses:		
Research and development	3,060,306	1,943,504
General and administrative	6,553,163	3,561,898
Impairment of In-Process Research and Development	-	1,087,638
	9,613,469	6,593,040
Loss from operations	(8,613,469)	(6,344,275)
Other income (expense):		
Interest income	34,855	67,674
Interest expense	(632)	(51,739)
	34,223	15,935
Loss before income taxes	$ (8,579,246)	$ (6,328,340)
Income tax	-	-
Net loss	$ (8,579,246)	$ (6,328,340)
Other comprehensive (loss) income		
Foreign currency translation adjustment	(15,344)	1,170,501
Total comprehensive loss	$ (8,594,590)	$ (5,157,839)
Net loss per share of common stock, basic and diluted	$ (0.07)	$ (0.05)
Weighted-average shares of common stock outstanding, basic and diluted	119,836,558	119,828,687

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

XENETIC BIOSCIENCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (8,579,246)	$ (6,328,340)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	52,032	104,619
Share-based compensation	431,504	339,780
Non-cash impairment of acquired In-Process Research and Development	-	1,087,638
Non-cash interest income	-	(577)
Non-cash interest expense	-	51,739
Foreign currency translation	(14,965)	(42,155)
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other receivables	(7,519)	(31,695)
Accounts payable and accrued expenses	2,066,172	(1,443,063)
Net cash used in operating activities	(6,052,022)	(6,262,054)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(78,634)	(130,084)
Sales of property and equipment	-	37,847
Overdraft acquired with SymbioTec GmbH	-	(349)
Change in restricted cash	(66,000)	-
Net cash used in investing activities	(144,634)	(92,586)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	-	421,163
Proceeds from exercise of stock options	2,090	709
Proceeds from employee participation in JSOP	-	61,751
Stock issuance costs	-	(80,774)
Payments on loan from related party	-	(706,201)
Net cash provided by (used in) financing activities	2,090	(303,352)
Effect of exchange rate change on cash and cash equivalents	(102,818)	677,882
Net decrease in cash and cash equivalents, excluding restricted cash	(6,297,384)	(5,980,110)
Cash and cash equivalents at beginning of year	11,136,870	17,116,980
Cash and cash equivalents at end of year	$ 4,839,486	$ 11,136,870
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in connection with SymbioTec GmbH acquisition	$ -	$ 9,339,100
Issuance of treasury stock under Joint Share Ownership Plan awards	$ -	$ 4,692,518

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

XENETIC BIOSCIENCES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock						
	Number of Shares	Par value ($0.01)	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance as of January 1, 2012	92,234,321	$ 922,343	$ 58,124,439	$ (43,399,413)	$ (254,903)	$ (588,662)	$ 14,803,804
Exercise of stock options	19,535	195	514	-	-	-	709
Issuance of common stock in SymbioTec GmbH acquisition	25,600,000	256,000	9,002,326	-	-	-	9,258,326
Issuance of Joint Share Ownership Plan awards	8,986,281	89,863	4,664,406	-	-	(4,692,518)	61,751
Issuance of common stock to Serum Institute of India Limited	3,680,000	36,800	1,435,355	-	-	-	1,472,155
Share-based compensation	-	-	339,780	-	-	-	339,780
Net loss	-	-	-	(6,328,340)	-	-	(6,328,340)
Foreign currency translation	-	-	-	-	1,170,501	-	1,170,501
Balance as of December 31, 2012	130,520,137	$1,305,201	$ 73,566,820	$ (49,727,753)	$ 915,598	$ (5,281,180)	$ 20,778,686
Exercise of stock options	55,379	554	1,536	-	-	-	2,090
Share-based compensation	-	-	431,504	-	-	-	431,504
Net loss	-	-		(8,579,246)	-	-	(8,579,246)
Foreign currency translation	-	-			(15,344)	-	(15,344)
Balance as of December 31, 2013	130,575,516	$1,305,755	$ 73,999,860	$ (58,306,999)	$ 900,254	$ (5,281,180)	$ 12,617,690

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

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company

Background

Xenetic Biosciences, Inc. (formerly General Sales and Leasing, Inc.) (the "Company") incorporated in the state of Nevada and based in Lexington, Massachusetts, is a clinical stage biopharmaceutical company that is focused on the discovery, development and planned commercialization of a new generation of human drug therapies for the treatment of a variety of conditions including anemia, refractory Acute Myeloid Leukemia ("AML"), Cystic Fibrosis, Multiple Sclerosis, and certain cancers based upon its proprietary and patented drug delivery platform systems and drug development collaborations with major third party pharmaceutical companies around the world.

The Company's drug delivery platform systems include PolyXen® for creating next generation biologic drugs by extending the efficacy, safety and half-life of existing biologic drugs, OncoHist™ for the development of novel oncology drug therapies focused on orphan indications in humans and ImuXen® for the development of vaccines that can simultaneously deliver multiple active pharmaceutical ingredients. The Company is also developing a broad pipeline of drug candidates for next generation biologics and novel oncology therapeutics in a number of orphan disease indications.

Recent Significant Transaction

On January 23, 2014, the Company consummated a reverse merger (the "Acquisition") pursuant to a written plan of reorganization, in which the Company merged with Xenetic Biosciences plc ("Xenetic UK"), a company incorporated in England and Wales under the Companies Act of 1985, such that Xenetic UK became a wholly owned subsidiary of the Company. Upon completion of the Acquisition, the Company acquired all issued and outstanding shares of capital stock of Xenetic UK in exchange for the issuance of 56 new shares of the Company's common stock for every whole 175 shares of Xenetic UK's capital stock previously issued and outstanding. As a result, 132,545,504 shares of the Company's common stock were newly issued and immediately following the Acquisition, there were 136,045,504 shares of common stock issued and outstanding. Since former Xenetic UK shareholders owned, immediately following the Acquisition, approximately 97% of the combined company on a fully diluted basis and all members of the combined company's executive management were from Xenetic UK, Xenetic UK was deemed to be the acquiring company for accounting purposes and the transaction was accounted for as a reverse acquisition in accordance with accounting principles generally accepted in the United States ("US GAAP").

Prior to the Acquisition, the Company changed its name from General Sales and Leasing, Inc. to Xenetic Biosciences, Inc. As used in these consolidated financial statements, unless otherwise indicated, all references herein to "Xenetic", the "Company", "we" or "us" refer to Xenetic Biosciences, Inc. and its wholly owned subsidiaries.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The financial statements of the Company include the accounts of Xenetic Biosciences plc and its wholly owned subsidiaries; Lipoxen Technologies Limited, Xenetic Bioscience, Incorporated, and SymbioTec GmbH ("SymbioTec"). All material intercompany balances and transactions have been eliminated on consolidation.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Principles of Consolidation (Continued)

In accordance with the reverse acquisition guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805 *Business Combinations* ("ASC 805"), the consolidated financial statements of the Company (the accounting acquiree) are a continuation of the financial statements of Xenetic UK (the accounting acquirer), adjusted to retroactively change Xenetic UK's legal capital to reflect the legal capital of the Company. This adjustment has been calculated based upon the share exchange ratio of 56 new shares of Company common stock for every whole 175 shares of Xenetic UK capital stock previously issued and outstanding. Comparative information preserved in these consolidated financial statements is also retroactively adjusted to reflect the legal capital of the Company.

Use of Estimates

The preparation of the financial statements in accordance with US GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenue and expenses in the financial statements and disclosures in the accompanying notes. Actual results and outcomes may differ materially from management's estimates, judgments and assumptions.

Fair Value of Financial Instruments

ASC Topic 820 Fair Value Measurement defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 utilizes quoted market prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company's cash and cash equivalents are measured at fair value on a recurring basis and classified as Level 1 in the fair value hierarchy because they are valued using quoted prices for the years ended December 31, 2013 and 2012. The carrying amount of certain of the Company's financial instruments approximate fair value due to their short maturities.

Cash, Cash Equivalents and Investments

The Company considers all highly liquid investments with maturities of 90 days or less from the date of purchase to be cash equivalents. Investments with original maturities of greater than 90 days from the date of purchase but less than one year from the balance sheet date are classified as short-term investments, while investments with maturities of one year or beyond from the balance sheet date are classified as long-term investments. Management determines the appropriate classification of its cash equivalents and investment securities at the time of purchase and re-evaluates such determination as of each balance sheet date.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Restricted Cash

As of December 31, 2013, restricted cash represents a certificate of deposit that matures annually, and secures the Company's outstanding letter of credit of $66,000 for the operating lease for new office and laboratory space in Lexington, Massachusetts. The letter of credit is required to be maintained through the term of the lease, which expires in January 2019.

Accounts Receivable and Amounts Due from Collaboration Partners

Accounts receivable are amounts due from third parties and collaboration partners as a result of research and development services provided or license fees due but not yet paid. The Company considered the need for an allowance for doubtful accounts and has concluded that no allowance was needed as of December 31, 2013 or 2012, as the estimated risk of loss on its accounts receivable was determined to be minimal. Historically, the Company has fully collected all accounts receivables from third parties and collaboration partners within their respective payment periods and in accordance with the Company's payment terms.

Concentration of Credit Risk

Financial instruments that subject the Company to concentrations of credit risk include cash and accounts receivable. The Company maintains cash and cash equivalents with various major financial institutions. The Company performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution.

Accounts receivable represent amounts due from collaboration partners. The Company monitors economic conditions to identify facts or circumstances that may indicate that any of its accounts receivable are at risk.

As of December 31, 2012, a single collaboration partner accounted for 100% of the Company's accounts receivable. Refer to Note 4, *Significant Strategic Drug Development Collaborations*, for additional information regarding the Company's collaboration agreements. The Company had no accounts receivable as of December 31, 2013.

Property and Equipment

The Company records property and equipment at cost less accumulated depreciation. Expenditures for major renewals and improvements which extend the life or usefulness of the asset are capitalized. Items of an ordinary repair or maintenance nature are charged directly to operating expense as incurred. The Company calculates depreciation using the straight-line method over the estimated useful lives of the assets:

Asset Classification	Estimated Useful Life
Laboratory equipment	4 years
Office and computer equipment	4 years
Leasehold improvements	4 years or the remaining term of the lease, if shorter

The Company eliminates the cost of assets retired or otherwise disposed of, along with the corresponding accumulated depreciation, from the related accounts, and the resulting gain or loss is reflected in the results of operations.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Indefinite-Lived Intangible Assets

Acquired indefinite-lived intangible assets consist of In-Process Research and Development ("IPR&D") related to the Company's business combination with SymbioTec, which were recorded at fair value on the acquisition date. IPR&D intangible assets are considered indefinite-lived intangible assets until completion or abandonment of the associated research and development efforts. Substantial additional research and development may be required before the Company's IPR&D reaches technological feasibility. Upon completion of the IPR&D project, the IPR&D assets will be amortized over their estimated useful lives.

In accordance with ASC Topic 350 *Intangibles - Goodwill and Other* ("ASC 350"), the Company assesses intangible assets with indefinite lives for impairment using the two-step impairment test at least annually on October 1, or when events or changes in the business environment indicate the carrying value may not be fully recoverable. In addition, the Company utilizes an independent third party to assist in the determination of the fair value of the Company's indefinite-lived intangible assets. Pursuant to Accounting Standards Update ("ASU") No. 2012-02, *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not (that is, a likelihood of more than 50%) that the acquired IPR&D is impaired. If the Company chooses to first assess the qualitative factors and it is determined that it is not more likely than not acquired IPR&D is impaired, the Company is not required to take further action to test for impairment. The Company also has the option to bypass the qualitative assessment and perform only the quantitative impairment test, which the Company may choose to perform in some periods but not in others.

The determinations as to whether, and, if so, the extent to which, acquired IPR&D become impaired are highly judgmental and based on significant assumptions regarding the projected future financial condition and operating results, changes in the manner of the use and development of the acquired assets, the Company's overall business strategy, and regulatory, market and economic environment and trends. No impairment was recorded during the year ended December 31, 2013. In the year ended December 31, 2012, IPR&D acquired from Serum Institute of India Limited ("Serum Institute") was immediately impaired as it was not acquired in connection with a business combination.

IPR&D that is acquired in a transaction that is not a business combination is not capitalized but expensed in the period acquired. Refer to Note 4, *Significant Strategic Drug Development Collaborations*, for further discussion on IPR&D acquired in a transaction that does not meet the criteria for a business combination.

Goodwill

Goodwill is comprised of the purchase price of business combinations in excess of the fair value assigned at acquisition to the net tangible and identifiable intangible assets acquired. Goodwill was assigned to the Company's single reporting unit at the date of the acquisition of SymbioTec. Goodwill is not amortized, but in accordance with ASC 350, the Company assesses goodwill for impairment using the two-step impairment test at least annually, or when events or changes in the business environment indicate the carrying value may not be fully recoverable. The Company performs its annual impairment review on October 1.

Pursuant to ASU No. 2011-08, *Intangibles – Goodwill and Other (Topic 350) – Testing Goodwill for Impairment*, the Company has the option to first assess qualitative factors to determine whether the existence of

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Goodwill (Continued)

events or circumstances leads to the determination that it is more likely than not (that is, a likelihood of more than 50%) that goodwill is impaired. If the Company chooses to first assess qualitative factors and it is determined that it is not more likely than not goodwill is impaired, the Company is not required to take further action to test for impairment. The Company also has the option to bypass the qualitative assessment and perform only the quantitative impairment test, which the Company may choose to do in some periods but not in others.

In addition, the Company assesses market conditions, industry developments and internal operations to determine if events or changes in the business environment indicate the carrying value of goodwill may not be fully recoverable. No impairments were recorded during the years ended December 31, 2013 or 2012.

Impairment of Long-Lived Assets

In accordance with ASC Topic 360 *Property, Plant and Equipment*, the Company reviews long-lived assets to be held and used, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets or asset group may not be fully recoverable. No such impairments were recorded during the years ended December 31, 2013 or 2012.

Evaluation of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset or asset group and its eventual disposition. Impairment, if any, is calculated as the amount by which an asset's carrying value exceeds its fair value, typically using discounted cash flows to determine fair value.

Foreign Currency Translation

The Company's reporting currency is US dollars. During the years ended December 31, 2013 and 2012, the Company had operations in the United Kingdom ("UK"), United States ("US") and Germany. The functional currencies of the operations in the UK, US and Germany are their local currencies: British pounds sterling, US dollars and euros, respectively. Assets and liabilities of foreign operations are translated to US dollars at the exchange rate in effect at the balance sheet date and revenue and expenses at the average exchange rate for the period. Gains and losses from the translation of the consolidated financial statements of foreign subsidiaries into US dollars are included in stockholders' equity as a component of other comprehensive income. The Company does not record tax provisions or benefits for the net changes in foreign currency translation adjustments, as the company intends to permanently reinvest undistributed earnings in its foreign subsidiaries. Realized and unrealized gains and losses resulting from foreign currency transactions arising from exchange rate fluctuations on balances denominated in currencies other than the functional currencies, are recognized in "Other (expense) income" in the consolidated statements of comprehensive loss. Monetary assets and liabilities that are denominated in a currency other than the functional currency are re-measured to the functional currency using the exchange rate at the balance sheet date and gains or losses are recorded in "Other (expense) income" in the consolidated statements of comprehensive loss.

Revenue Recognition

The Company enters into supply, license and collaboration arrangements with pharmaceutical and biotechnology partners, some of which include royalty agreements based on potential net sales of approved

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

commercial pharmaceutical products. The Company recognizes revenue in accordance with the authoritative guidance, ASC Topic 605, *Revenue Recognition*. The Company recognizes revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery (or passage of title) has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured.

Supply services

Supply services are primarily derived from cost-plus and fixed price supply agreements with the Company's collaboration partners and revenue is recognized when there is persuasive evidence that an arrangement exists, delivery has occurred in accordance to sales terms, the price is fixed or determinable, and collection is reasonably assured. The Company has not experienced any significant returns from customers.

License, collaboration and other

The terms of the Company's license agreements include delivery of an Intellectual Property ("IP") license to a collaboration partner. The Company may be compensated under license arrangements through a combination of non-refundable upfront payments, development and regulatory objective payments and royalty payments on future product sales by partners. Non-refundable upfront payments and development and regulatory objective payments received by the Company in license and collaboration arrangements that include future obligations, such as supply obligations, are recognized ratably over the Company's expected performance period under each respective arrangement. The Company makes its best estimate of the period over which the Company expects to fulfill the Company's performance obligations, which may include technology transfer assistance, research activities, clinical development activities, and manufacturing activities from development through the commercialization of the product. Given the uncertainties of these collaboration arrangements, significant judgment is required to determine the duration of the performance period. Non-refundable upfront license fees received, whereby continued performance or future obligations are considered inconsequential or perfunctory to the relevant licensed technology, are recognized as revenue upon delivery of the technology.

The Company expects to recognize royalty revenue in the period of sale, based on the underlying contract terms, provided that the reported sales are reliably measurable and the Company has no remaining performance obligations, assuming all other revenue recognition criteria are met.

Reimbursements for research and development services completed by the Company related to the collaboration agreements are recognized in operations as revenue on a gross basis.

The Company's license and collaboration agreements with certain collaboration partners could also provide for future payments to the Company based solely upon the performance of the respective collaboration partner in consideration of deadline extensions or upon the achievement of specified sales volumes of approved drugs. For such payments, the Company expects to recognize the payments as revenue when earned under the applicable contract terms on a performance basis or ratably over the term of the agreement. These payments may also be recognized as revenue when continued performance or future obligations by the Company are considered inconsequential or perfunctory. Refer to Note 4, *Significant Strategic Drug Development Collaborations*, for discussion on arrangements with specific collaboration partners.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Cost of Revenue

The Company expects to recognize costs of revenue related to the Company's supply services in the same period revenue is recognized from supply services.

Research and Development Expenses

Research and development expenses consist of expenses incurred in performing research and development activities, including compensation and benefits, facilities expenses, overhead expenses, clinical trial and related clinical manufacturing expenses, fees paid to Clinical Research Organizations and other outside expenses. The Company expenses research and development costs as incurred. The Company records non-refundable advance payments made for research and development services prior to the services being rendered as prepaid expenses on the consolidated balance sheets and expenses them as the services are provided. The value ascribed to intangible assets acquired but which have not met capitalization criteria is expensed as research and development at the time of acquisition.

Share-Based Compensation

Stock options

The Company grants share-based payments in the form of options to employees and non-employees, Joint Share Ownership Plan ("JSOP") awards to employees, as well as agreements to issue common stock in exchange for services provided by non-employees. The Company measures share-based payments in accordance with ASC Topic 718, *Compensation – Stock Compensation*.

Stock option compensation expenses are based on the fair value of the underlying option calculated using the Black-Scholes option pricing model. Determining the appropriate fair value model and related assumptions requires judgment, including estimating share price volatility and expected terms of the awards. Refer to Note 12, *Share-Based Compensation*, for additional information regarding these assumptions.

For employee options, the fair value measurement date is generally on the date of grant and the related compensation expense is recognized on a straight-line basis over the requisite period of the awards, less expense for expected forfeitures. Share-based compensation expense related to stock options granted to non-employees is recognized as the services are rendered on a straight-line basis. For non-employee options, the fair value measurement date is the earlier of the date the performance of services is complete or the date the performance commitment has been reached. The Company generally determines the fair value of the stock options is more reliably measurable than the fair value of the services received. Compensation expense related to stock options granted to non-employees is subject to re-measurement at each reporting period until the options vest. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. Upon exercise, stock options are redeemed for newly issued shares of common stock.

Common stock awards

The Company grants common stock awards to non-employees in exchange for services provided. The Company generally measures the fair value of these awards using the fair value of the services provided as it is a

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Share-Based Compensation (Continued)

more reliable measure of the fair value of the awards. The fair value measurement date of these awards is generally the date the performance of services is complete. The fair value of the awards is recognized as services are rendered on a straight-line basis.

Joint Share Ownership Plan awards

The Company measures the fair value of JSOP awards using Monte Carlo simulations based on the terms of the plan, which includes vesting conditions based on the achievement of certain market conditions in the form of share price hurdles. Accordingly, the Company recognizes compensation expense related to its JSOP awards using a graded vesting model. Determination of the appropriate fair value model and related assumptions requires judgment, including estimating share price volatility and the expected term of the awards. Refer to Note 12, *Share-Based Compensation*, for additional information regarding JSOP awards.

Warrants to Purchase Common Stock

In connection with certain financing and collaboration arrangements, the Company issues warrants to purchase shares of its common stock to its collaborative partners. Outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of the awards using the Black-Scholes option pricing model as of the measurement date. Warrants issued to collaboration partners in conjunction with the issuance of common stock are recorded at fair value as a reduction in additional paid-in capital of the common stock issued. All other warrants are recorded at fair value as compensation expense over the requisite service period or at the date of issuance, if there is not a service period. Warrants granted in connection with ongoing arrangements are more fully described in Note 10, *Stockholders' Equity*.

Income Taxes

The Company records deferred income taxes to recognize the effect of temporary differences between tax and financial statement reporting. The Company calculates the deferred taxes using enacted tax rates expected to be in place when the temporary differences are realized and records a valuation allowance to reduce deferred tax assets if it is determined that it is more likely than not that all or a portion of the deferred tax asset will not be realized. The Company considers many factors when assessing the likelihood of future realization of deferred tax assets, including recent earnings results, expectations of future taxable income, carryforward periods available and other relevant factors. The Company records changes in the required valuation allowance in the period that the determination is made. As of December 31, 2013 and 2012, the Company had a full valuation allowance on the balance of its recognized deferred tax assets. The deferred tax liability recorded as of December 31, 2013 and 2012 relates to the acquisition of SymbioTec during 2012, refer to Note 3, *Acquisitions*, for additional information.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available as of the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company records the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. For those income tax

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

positions where it is not more likely than not that a tax benefit will be sustained, the Company does not recognize a tax benefit in the financial statements. The Company records interest and penalties related to uncertain tax positions, if applicable, as a component of income tax expense. Refer to Note 8, *Income Taxes*, for additional information regarding the Company's income taxes.

Basic and Diluted Net Loss per Share

The Company computes basic net loss per share by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The Company computes diluted net loss per share after giving consideration to the dilutive effect of stock options that are outstanding during the period, except where such non-participating securities would be anti-dilutive. The Company's JSOP awards are considered treasury shares by the Company and thus do not impact the Company's net loss per share calculation.

Basic and diluted net loss per share are the same for the years ended December 31, 2013 and 2012 as the Company was in a net loss position. Potentially dilutive non-participating securities have not been included in the calculations of diluted net loss per share, as their inclusion would be anti-dilutive.

Segment Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision making group, in making decisions on how to allocate resources and assess performance. The Company views its operations and manages its business in one operating segment.

Operating Leases

The Company leases administrative and laboratory facilities under operating leases. Lease agreements may include rent holidays, rent escalation clauses and tenant improvement allowances. The Company recognizes scheduled rent increases on a straight-line basis over the lease term beginning with the date the Company takes possession of the leased space.

Business Combinations

The Company has a history of engaging in acquisition transactions that require us to evaluate whether the transaction meets the criteria of a business combination and, in some cases, whether it meets the definition of a reverse merger. For those acquisitions that meet the criteria for a reverse merger, the Company evaluates the entities involved to distinguish the appropriate accounting acquirer and acquiree according to ASC 805. If the transaction does not meet the reverse merger business combination requirements, the transaction is accounted for as a recapitalization and no goodwill or intangible assets are recognized. If the acquisition meets the definition of a business combination, the Company allocates the purchase price, including any contingent consideration, to the assets acquired and the liabilities assumed at their estimated fair values as of the date of the acquisition with any excess of the purchase price paid over the estimated fair value of net assets acquired recorded as goodwill. The fair value of the assets acquired and liabilities assumed is typically determined by using either estimates of replacement costs or discounted cash flow valuation methods.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Business Combinations (Continued)

When determining the fair value of tangible assets acquired, the Company estimates the cost to replace the asset with a new asset taking into consideration such factors as age, condition and the economic useful life of the asset. When determining the fair value of intangible assets acquired, the Company uses judgment to estimate the applicable discount rate, growth rates and the timing and amount of future cash flows. The fair value of assets acquired and liabilities assumed is typically determined using the assistance of an independent third party specialist.

Acquisition related costs are expensed in the period in which the costs are incurred and the services are received.

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02 *Comprehensive Income (Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The new guidance provides information about the amounts reclassified out of accumulated other comprehensive income ("AOCI") by component. An entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. On January 1, 2013 the Company adopted this standard, which had no impact on its financial position or results of operations.

In July 2012, the FASB issued ASU No. 2012-02. The amended guidance provides information about an entity's option to perform a qualitative analysis to assess whether the existence of events and circumstances indicates that it is more likely than not that indefinite-lived intangible assets other than goodwill are impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, it is required to perform the first step of the two-step impairment test by calculating the fair value of the indefinite-lived intangible asset and comparing the fair value with the carrying amount. If the carrying amount exceeds its fair value, then the entity is required to perform the second step to measure the amount of impairment loss. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. On January 1, 2013 the Company early adopted this standard, which had no impact on its financial position or results of operations.

In December 2011, the FASB issued ASU No. 2011-12, *Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* ("ASU 2011-12"). The amended guidance provides further information about the deferral of amendments to the presentation of reclassifications of items out of AOCI but does not affect ASU No. 2011-05 *Comprehensive Income (Topic 220) – Presentation of Comprehensive Income* ("ASU 2011-05"), which the Company adopted starting January 1, 2012. Under ASU 2011-05, a company may present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In either case, a company is required to present each

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. On January 1, 2012 the Company adopted ASU 2011-12, which had no impact on its financial position or results of operations.

In September 2011, the FASB issued ASU No. 2011-08. The amended guidance provides information about an entity's option to perform a qualitative analysis to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after this assessment the entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the quantitative two-step impairment test is unnecessary. However, if an entity concludes otherwise, it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, then the entity is required to perform the second step to measure the amount of impairment loss. An entity also has the option to bypass the qualitative assessment in any period and proceed directly to performing the quantitative impairment test. On January 1, 2012 the Company adopted this standard, which had no impact on its financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04 *Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement*, which includes amended guidance on fair value measurements. This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This accounting standard was effective on a prospective basis for annual and interim reporting periods beginning on or after December 15, 2011. The adoption of this standard has not had a material impact on the Company's financial position or results of operations.

3. Acquisitions

SymbioTec GmbH

On January 17, 2012, the Company completed the acquisition of all of the outstanding shares of SymbioTec, a privately held company located in Germany, in exchange for 25.6 million shares of the Company's common stock. The full consideration transferred was $9.75 million, which included the assumption of a SymbioTec note payable due to the Company in the amount of approximately $411,000. In addition, the Company incurred $80,774 of stock issuance costs. SymbioTec is principally focused on the discovery of therapies designed to treat cancer in humans. SymbioTec's lead product candidate, OncoHist™, is in the pre-clinical stage of development for the treatment of refractory AML and Non-Hodgkins Lymphoma. OncoHist™ has been granted orphan drug status by both the U.S. Food and Drug Administration ("FDA") and the European Medicines Agency.

The acquisition has been accounted for as a business combination in accordance with ASC 805. In addition to acquiring all of the outstanding stock of SymbioTec and obtaining the rights to the OncoHist™ intangible asset, the Company obtained the services of key employees and the rights to a second antibody and an antibody conjugate, which are both in pre-clinical development.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Acquisitions (Continued)

SymbioTec GmbH (Continued)

The following table summarizes the estimated fair values of the separately identifiable assets acquired and liabilities assumed as of January 17, 2012:

Intangible asset	$ 9,579,660
Property and equipment	53,286
Trade and other receivables	51,627
Cash and cash equivalents	(349)
Trade and other payables	(312,301)
Deferred tax liability	(3,024,778)
Total identifiable net assets	6,347,145
Goodwill	3,402,923
Total	$ 9,750,068

The Company estimated the fair value of the OncoHist™ intangible asset using the Multi-Period Excess Earnings Method (the "MPEEM"), which considers forecasted revenue and operating projections for the 18 years following the acquisition date and applies a probability adjusted cash flow analysis utilizing a discount rate of approximately 50%. Refer to Note 6, *Goodwill and Indefinite-Lived Intangible* Assets, for further discussion on the valuation assumptions used. The fair value associated with the OncoHist™ intangible asset was $9.58 million as of the acquisition date. As of December 31, 2013, the Company estimates the cost to complete pre-clinical work necessary for the filing of an Investigation New Drug ("IND") filing with the FDA in the first quarter of 2015 and progress clinical development through completion of a phase I/II(a) human clinical trial will be approximately $10 million. Based upon current expectations, completion of any such phase I/II(a) clinical trial is expected by the end of the second quarter of 2017.

The Company's goodwill principally relates to establishing a deferred tax liability for the OncoHist™ intangible asset which has no tax basis and, therefore, is not tax deductible.

The Company concluded pro forma revenues and earnings related to the SymbioTec acquisition assuming the acquisition occurred on January 1, 2012 would not provide materially different results. In addition, the Company determined that there were no material, non-recurring pro forma adjustments directly attributable to the acquisition.

4. Significant Strategic Drug Development Collaborations

Baxter Healthcare SA and Baxter Healthcare Corporation

In August 2005, the Company entered into an exclusive research, development, license and supply agreement with Baxter Healthcare SA ("Baxter SA") and Baxter Healthcare Corporation (together referred to as "Baxter") to develop products with an extended half-life of certain proteins and molecules using the Company's patent protected PolyXen® technology whereby polysialyic acid ("PSA" – a chain of polysialic acids) is chemically conjugated with Baxter's proprietary molecule(s) to create a new generation of drugs to treat the failure of blood to coagulate in the therapeutic treatment of blood and bleeding disorders, such as hemophilia. The lead candidate in this collaboration is a longer-acting form of a full length recombinant Factor VIII ("rFVIII") protein.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Strategic Drug Development Collaborations (Continued)

Baxter Healthcare SA and Baxter Healthcare Corporation (Continued)

Under the terms of the agreement, the Company is entitled to research and development funding and is responsible for providing Baxter with a transfer of the Company's proprietary technology and supplying its requirements for PSA. Related to research and development service fees, approximately $5 million has been paid and recognized as revenue in periods prior to 2012, with no amounts recognized during December 31, 2013 and 2012.

During December 2006, the Company entered into a supply agreement with Baxter and Serum Institute, where Baxter can either directly or indirectly obtain a supply of PSA from Serum Institute on a cost basis. Baxter is responsible for all clinical development, regulatory and commercialization expenses. The agreement is terminable by both parties under customary conditions. The agreement was amended in September 2010 to provide for a change in the milestone schedules and options for further extending the regulatory milestone deadlines. Commensurate with the 2010 amendment, the bulk of research activities were transferred to Baxter to be further pursued in-house. The Company does not have any continuing obligations related to the provision for research activities under the amended agreement.

The Company is entitled to certain amounts in total development, regulatory, sales and deadline extension receipts, of which $3 million was received and recognized as revenue in periods prior to 2012, and $1 million was received and recognized as revenue during the year ended December 31, 2013 as the Company's continued performance or future obligations are considered inconsequential or perfunctory. No amounts were recognized as revenue during the year ended December 31, 2012. The Company is also entitled to royalties ranging from 2.0% to 3.5% on potential net sales varying by country of sale. The Company's right to receive these royalties in any particular country will expire upon the later of ten years after the first commercial sale of the product in that country or the expiration of patent rights in that particular country.

This agreement was most recently amended in January 2014, resulting in increased development, regulatory, sales and deadline extension receipts, restructured target deadlines and royalty receipts on potential net sales. The Company is entitled to $18 million in development receipts, $16 million in regulatory receipts and $66 million in sales target receipts, which are contingent on the performance of Baxter. In connection with this amendment, Baxter SA also made a $10 million equity investment in the Company. Refer to Note 15, Subsequent Events, for additional information.

SynBio LLC

In August, 2011, SynBio LLC ("SynBio") and the Company entered into a stock subscription and collaborative development of pharmaceutical products agreement (the "Co-Development Agreement"). The Company granted an exclusive license to SynBio to develop pharmaceutical products using certain molecule(s) based on SynBio's technology and the Company's proprietary technology (PolyXen®, OncoHist™ and ImuXen®) that prolongs the active life and/or improves the pharmacokinetics of certain therapeutic proteins and peptides (as well as conventional drugs). In return, SynBio granted an exclusive license to the Company to use the pre-clinical and clinical data generated by SynBio in certain agreed products and engage in the development of commercial candidates.

SynBio and the Company are each responsible for funding their own company's research activities. There are no milestone or other research-related payments due under the agreement other than fees for the supply

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Significant Strategic Drug Development Collaborations (Continued)

SynBio LLC (Continued)

of each company's respective research supplies based on their technology, which, when provided, are due to mutual convenience and not representative of an ongoing or recurring obligation to supply research supplies. For the years ended December 31, 2013 and 2012, the Company recognized $0 and $100,000 in supply service revenues respectively, in connection with the Co-Development Agreement. Most recently, similar to the Company's agreement with Baxter, Serum Institute has agreed to directly provide the research supplies to SynBio, where the Company is not liable for any failure to supply the research supplies as a result of any act or fault of Serum Institute's. Upon successful commercialization of any resultant products, the Company would receive royalties of 10% of sales in certain territories and pay royalties of 10% to SynBio for sales outside those certain territories. Through December 31, 2013, the Company and SynBio continue to engage in research and development activities with no resultant commercial products. Aside from the supply service revenue noted previously, no revenue was recognized by the Company related to the Co-Development Agreement for the years ended December 31, 2013 and 2012.

SynBio is a related party of the Company, with a share ownership of 45.3% as of December 31, 2013 and 2012.

Serum Institute of India Limited

In the period from 2004 through 2011, the Company entered into and amended certain license and supply agreements with Serum Institute. The original license agreement with Serum Institute was a collaborative Development and Manufacturing Arrangement ("DMA") to develop agreed upon potential commercial product candidates using the Company's PolyXen® technology. Serum Institute then endeavored to further develop the potential commercial product candidates and eventually initiate pre-clinical and clinical trials at their own cost. The agreement was amended in 2011, resulting in the surrender of development rights for 14 potential commercial product candidates in 2012, which were vested to Serum Institute under the terms of the previous agreements, back to the Company. In consideration of Serum Institute's surrender of the development rights and certain changes to future shared license revenue and royalty rates of commercialized products, the Company issued Serum Institute 2.88 million new shares of common stock with a fair value of approximately $1.1 million at the time of issuance. This acquisition of the rights to the 14 potential commercial product candidates was accounted for as an acquisition of IPR&D and immediately expensed as the transaction was not part of a business combination. Accordingly, approximately $1.1 million is included in research and development expenses in the statement of operations during the year ended December 31, 2012 related to this IPR&D.

Following the 2011 amendment, Serum Institute retained an exclusive license to use the Company's PolyXen® technology to research and develop one potential commercial product, Polysialylated Erythropoietin ("PSA-EPO"). Serum Institute will be responsible for conducting all pre-clinical and clinical trials required to achieve regulatory approvals within the certain predetermined territories at Serum Institute's own expense. The royalty payment schedule based on net revenues on the future commercial sales of PSA-EPO under the DMA was also modified as a result of the 2011 amendment. Royalty payments ranging from 2% to 8% are payable by Serum Institute to the Company for net sales to certain customers in the Serum Institute sales territory. Royalty payments of up to 25% are payable by the Company to Serum Institute for net sales received by the Company over the term of the license. No royalty revenue or expense was recognized by the Company related to the Serum Institute arrangement for the years ended December 31, 2013 and 2012. There are no

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Significant Strategic Drug Development Collaborations (Continued)

Serum Institute of India Limited (Continued)

milestone or other research-related payments due under the DMA. Through December 31, 2013, the Company and Serum Institute continue to engage in research and development activities with no resultant commercial products.

Also during 2012, Serum Institute subscribed for 800,000 shares of the Company's common stock for net proceeds of $421,163. Serum Institute is a related party of the Company, with a share ownership of 10.6% as of December 31, 2013 and 2012.

5. Property and Equipment, net

Property and equipment, net consists of the following:

	December 31,	
	2013	**2012**
Laboratory equipment	$ 1,106,761	$ 1,028,417
Office and computer equipment	190,878	162,111
Leasehold improvements	69,296	67,913
Property and equipment – at cost	1,366,935	1,258,441
Less accumulated depreciation	(1,214,332)	(1,136,359)
Property and equipment – net	$ 152,603	$ 122,082

Depreciation expense was $52,032 and $104,619 for the years ended December 31, 2013 and 2012 respectively.

6. Goodwill and Indefinite-Lived Intangible Assets

Goodwill

A reconciliation of the change in the carrying value of goodwill is as follows:

	December 31,	
	2013	**2012**
Balance as of January 1	$ 3,592,073	$ -
Acquired from acquisitions	-	3,402,923
Foreign currency translation	73,126	189,150
Balance as of December 31	$ 3,665,199	$ 3,592,073

Goodwill acquired during the year ended December 31, 2012 was attributed to the Company's acquisition of SymbioTec. As of October 1, 2013 and 2012, the dates of the Company's annual impairment review, the fair value of the Company's goodwill balance exceeded its carrying value by approximately 104% and 58%, respectively.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Goodwill and Indefinite-Lived Intangible Assets (Continued)

Indefinite-Lived Intangible Assets

The Company has one indefinite-lived intangible asset, OncoHist™, as of December 31, 2013 and 2012 related to the Company's acquisition of SymbioTec in 2012. As of October 1, 2013 and 2012, the dates of the Company's annual impairment review, the fair value of the Company's indefinite-lived intangible asset balance exceeded its carrying value by approximately 1% and 87%, respectively. The fair value of OncoHist™ was $10,559,820 and the carrying value was $10,318,001, with a foreign currency impact of an increase in carrying value of $205,860 as of December 31, 2013.

The Company, with the assistance of an independent third party, calculated the fair value of OncoHist™ by using the MPEEM, which is a form of the income approach. Under the MPEEM, the fair value of an intangible asset is equal to the present value of the asset's incremental after-tax cash flows (excess earnings) remaining after deducting the market rates of return on the estimated value of contributory assets (contributory charge) over its remaining useful life. This method requires the Company to make long-term projections of the amount and timing of income and expenses related to development and commercialization of the acquired intangible asset and assumptions regarding the rate of return on contributory assets, the weighted average cost of capital and the discount rate for estimated future after-tax cash flows. Specifically, this method took into account the Company's estimates of future incremental milestone payments that may be achieved upon completion of certain clinical trial stages, regulatory approval and sales goals upon commercialization, as well as the Company's expected royalty income based on sales upon commercialization. Projected expenses are based on the Company's forecasted budget required to complete the development of the IPR&D and are estimates subject to change based on several factors including the results of clinical trials and delays in regulatory approval. The discount rate used is commensurate with the uncertainties associated with the economic estimates described above and reflects the stage of development, the time and resources needed to complete the development of the product and the risks of advancement through regulatory approval processes.

While the Company believes reasonable estimates and appropriate assumptions were utilized to calculate the fair value of OncoHist™, it is possible a material change could occur. If future results are not consistent with the assumptions and estimates used, the Company may be exposed to impairment charges in the future. The following table shows the decline in the fair value of OncoHist™ that would result from a 1% increase in the discount rate and a 5% decrease in the expected milestone income:

Indefinite-Lived Intangible Asset		Discount Rate		Milestone Income
OncoHist™ change in fair value as of December 31, 2013	$	(688,000)	$	(826,000)

Such a change in either the discount rate or expected milestone income would result in an impairment of approximately $405,000 and $545,000, respectively, during the current period.

OncoHist™ is not yet commercialized and has not yet begun to be amortized as of December 31, 2013 and 2012.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2013	2012
Accrued professional fees	$ 1,106,358	$ 216,484
Accrued bonus compensation	422,226	-
Accrued payroll and benefits	99,548	10,240
Accrued research costs	29,682	165,578
Other	169,053	64,442
	$ 1,826,867	$ 456,744

8. Income Taxes

The Company accounts for income taxes using the liability method under ASC Topic 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on temporary differences resulting from the different treatment of items for tax and financial reporting purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Additionally, the Company must assess the likelihood that deferred tax assets will be recovered as deductions from future taxable income. The Company has provided a full valuation allowance on the Company's deferred tax assets because the Company believes it is more likely than not that its deferred tax assets will not be realized. The Company evaluates the recoverability of its deferred tax assets on a quarterly basis. Currently, there is no provision for income taxes as the Company has incurred losses to date.

The components of (loss) before income taxes are as follows:

	Year ended December 31,	
	2013	2012
Domestic (US)	$ (547,508)	$ (190,025)
Foreign (UK)	(7,855,509)	(5,244,538)
Foreign (Germany)	(176,229)	(893,777)
Loss before income taxes	$ (8,579,246)	$ (6,328,340)

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Income Taxes (Continued)

The reconciliation of income tax expense (benefit) at the UK corporation tax rate, being the rate applicable to the country of domicile of Xenetic UK, to net income tax expense (benefit) is as follows:

	Year ended December 31,	
	2013	2012
UK corporation tax benefit at statutory rate	$ (1,994,675)	$ (1,550,443)
Increase in tax losses not recognized	1,461,836	1,319,946
Permanent differences, net	674,920	99,825
Foreign rate differential	(100,131)	(89,442)
Share-based compensation, net	9,179	6,770
Other	163	6,531
Impairment of IPR&D	-	266,471
Enhanced research and development tax credits	(51,292)	(59,658)
Net expense (benefit) for income taxes	$ -	$ -

Deferred tax assets and liabilities reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	Year ended December 31,	
	2013	2012
Deferred tax assets:		
UK net operating loss carryforwards	$ 7,735,113	$ 7,543,489
Enhanced research and development tax credits	713,029	751,213
Share-based compensation	409,391	462,976
Germany net operating loss carryforwards	360,763	290,036
US federal net operating loss carryforwards	242,254	59,294
US state net operating loss carryforwards	35,929	8,754
Other	24,781	31,726
Total deferred tax assets before valuation allowance	9,521,260	9,147,488
Less valuation allowance	(9,521,260)	(9,147,488)
Net deferred tax assets	$ -	$ -
Deferred tax liability:		
Indefinite-lived intangible asset	$ (3,257,910)	$ (3,192,909)
Total net deferred tax liability	$ (3,257,910)	$ (3,192,909)

For the years ended December 31, 2013 and 2012, the Company had UK net operating loss carryforwards of $41.7 million and $35.5 million respectively, US federal net operating loss carryforwards of $692,153 and $169,410 respectively, US state net operating loss carryforwards of $690,942 and $168,352 respectively, and Germany net operating loss carryforwards of $1,142,197 and $918,275 respectively. The UK and Germany net operating loss carryforwards can be carried forward indefinitely. The US federal and state net operating loss carryforwards begin to expire in 2032.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Income Taxes (Continued)

The Company's ability to use its operating loss carryforwards and tax credits generated in the US to offset future taxable income is subject to restrictions under Section 382 of the United States Internal Revenue Code (the "Internal Revenue Code"). These restrictions may limit the future use of the operating loss carryforwards and tax credits if certain ownership changes described in the Internal Revenue Code occur. Future changes in stock ownership may occur that would create further limitations on the Company's use of the operating loss carryforwards and tax credits. In such a situation, the Company may be required to pay income taxes, even though significant operating loss carryforwards and tax credits exist.

The Company's ability to use its operating loss carryforwards and tax credits generated in the UK are subject to restrictions under UK tax legislation. These regulations may limit the future use of operating loss carryforwards if there is a change in ownership and a change in the nature or conduct of the business carried on by the Company, and in certain circumstances where there is a change in the nature or conduct of the business only. In such cases the carryforwards would cease to be available to set against future income.

The Company's ability to use its operating loss carryforwards and tax credits generated in Germany are also subject to restrictions under German tax legislation. These regulations may limit the future use of operating loss carryforwards if there is a change in ownership. In such cases the carryforwards would cease to be available to set against future income.

Uncertain Tax Positions

As of December 31, 2013 and 2012, the Company recorded unrecognized tax positions of $185,961 and $182,251 respectively, due to a claim for research and development tax credits. The changes to unrecognized tax positions for 2013 and 2012 were as follows:

	Year ended December 31,	
	2013	2012
Unrecognized tax benefits as of January 1	$ 182,251	$ 174,289
Gross adjustments in tax positions	-	-
Gross increases	-	-
Foreign currency translation	3,710	7,962
Unrecognized tax positions as of December 31	$ 185,961	$ 182,251

The Company has not yet conducted a study of its research and development tax credit carryforwards. This study may result in an increase or decrease in the Company's research and development credit carryforwards; however, until a study is completed and any adjustment is determined, no amounts are recorded as an uncertain tax position. A full valuation allowance has been provided against the Company's research and development credits and, if an adjustment is required, this adjustment would be offset by an adjustment to the valuation allowance with no resulting impact on overall income tax expense or the consolidated statement of operations and comprehensive loss.

The Company files income tax returns in the US federal tax jurisdiction, Nevada and Massachusetts state tax jurisdiction, and certain foreign tax jurisdictions. Since the Company is in a loss carryforward position, the Company is generally subject to examination by the US federal, state, foreign, and local income tax authorities for all tax years in which a loss carryforward is available. The Company is not currently under examination by

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Income Taxes (Continued)

Uncertain Tax Positions (Continued)

the Internal Revenue Service. Subject to the research and development tax credit claim referred to above, the Company is not currently under examination by any other jurisdiction for these years. The Company has not recorded any interest or penalties for unrecognized tax benefits since its inception.

9. Commitments

The Company leases office space in London, UK which is due to expire in March 2017. The Company also leased laboratory space in London, UK during 2013 and 2012, however this lease was terminated in December 2013. In August 2013, the Company entered into an agreement to lease office and laboratory space in Lexington, Massachusetts under an operating lease with a commencement date of January 1, 2014 and a termination date of January 31, 2019. With the execution of this lease, the Company is required to maintain a $66,000 letter of credit as a security deposit.

The Company's contractual commitments under all non-cancelable operating leases as of December 31, 2013 are as follows:

As of December 31,	Total Operating Leases
2014	$ 137,489
2015	148,706
2016	152,665
2017	114,148
2018	106,563
Thereafter	8,908
Total minimum lease payments	$ 668,479

Rent expense is calculated on a straight-line basis over the term of the lease. Rent expense under the Company's operating leases was $280,606 and $371,069 for the years ended December 31, 2013 and 2012 respectively.

10. Stockholders' Equity

Common Stock

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to dividends when and if declared by the Board of Directors. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of common stock are entitled to share ratably in the assets of the Company available for distribution.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Stockholders' Equity (Continued)

Warrants

In connection with the Company's collaboration agreements, the Company issued warrants to purchase shares of common stock to its collaborative partners. These warrants were valued at issuance date using the Black-Scholes option pricing model. In 2010, Baxter SA was granted warrants to purchase 4,588,298 new shares of common stock, which were exercisable immediately after issuance and expire on June 30, 2015. These warrants, which were fair valued at $932,000 at the time of issuance, were outstanding as of December 31, 2013 and 2012.

In 2011, SynBio was granted warrants to purchase 3,545,600 new shares of common stock, which are exercisable two years after issuance and expire on December 2, 2016. These warrants, which were fair valued at $108,000 at the time of issuance, were outstanding as of December 31, 2013 and 2012.

In 2011, Serum Institute was granted warrants to purchase 2,400,000 new shares of common stock in three tranches of 800,000 each, which are exercisable immediately after issuance and expire in a range of 6 to 18 months after issuance. These warrants were fair valued at $10,000 at the time of issuance. During 2012, Serum Institute's warrants to purchase 800,000 new shares of common stock expired and as of December 31, 2012, warrants to purchase 1.6 million new shares of common stock were outstanding. These warrants expired during 2013. Serum Institute did not exercise any warrants during 2013 or 2012. Refer to Note 4, *Significant Strategic Drug Development Collaborations*, for further information on the Company's collaborative partners.

There were no warrants issued by the Company during the years ended December 31, 2013 and 2012.

11. Employee Benefit Plans

The Company has a defined contribution 401(k) savings plan (the "401(k) Plan"). The 401(k) Plan covers substantially all US employees, and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the 401(k) Plan may be made at the discretion of the Board of Directors. As of December 31, 2013 and 2012, the Company made no contributions to the 401(k) Plan.

In the UK, the Company has adopted a defined contribution plan (the "UK Plan") which qualifies under the rules established by HM Revenue & Customs. The UK Plan generally allows all UK employees to contribute a minimum of 3% of salary with no maximum limit. The Company contributes to the plan between 8% and 12% of the employee's salary, depending upon seniority of the employee. The Company, at its discretion, may also contribute to an employee's personal pension plan. The Company paid total contributions of $129,353 and $135,553 during the years ended December 31, 2013 and 2012, respectively.

12. Share-Based Compensation

Total share-based compensation related to stock options, common stock awards and JSOP awards was $431,504 and $339,780 during the years ended December 31, 2013 and 2012, respectively.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Share-Based Compensation (Continued)

Share-based compensation expense is classified in the consolidated statements of comprehensive loss as follows:

	Year ended December 31,	
	2013	2012
Research and development expenses	$ 60,980	$ 41,851
Administrative expenses	370,524	297,929
	$ 431,504	$ 339,780

2000 Stock Plan (Incentive Stock Plan)

In July 2000, the Company's Board of Directors and stockholders adopted the Lipoxen plc Unapproved Share Option Plan (the "2000 Stock Plan"), under which stock options may be granted to employees, consultants and non-employee directors. The 2000 Stock Plan was amended by resolution of the Board of Directors in March 2006.

Options granted under the 2000 Stock Plan expire no later than ten years from the date of grant and have limited transferability. Options are granted with an exercise price determined by the Board of Directors. Options may be granted with different vesting terms from time to time but not more than 50% on or after the first anniversary, 25% on or after the second anniversary, and 25% on or after the third anniversary.

The number of options available to grant under the 2000 Stock Plan is limited to 15% of the issued ordinary share capital of the Company. As of December 31, 2013, 14,355,591 shares of common stock were collectively available for future grant under the 2000 Stock Plan and 2007 Stock Plan (as defined below). Options to purchase 2,507,489 shares of common stock were outstanding under the 2000 Stock Plan.

Subsequent to the Acquisition, the 2000 Stock Plan was converted to reflect the new shares issued by the Company under the Scheme related to the Acquisition. As part of the conversion, option holders under the 2000 Stock Plan have the right to subscribe for a number of shares of common stock in the Company (the "Replacement Option Shares") in exchange for the cancellation and surrender by the option holder of the original options granted by the 2000 Stock Plan. The number of Replacement Option Shares is determined in the same manner in which the shareholders of Xenetic UK were given the right to acquire shares of common stock in the Company according to the Acquisition. The aggregate exercise price payable in US dollars for Replacement Option Shares is the same as the aggregate exercise price in pounds sterling of the original options, using a foreign currency exchange rate for pounds sterling into US dollars quoted by Barclays Bank plc at 12 noon Greenwich Mean Time ("GMT") on January 23, 2014, the date of the Acquisition. This conversion of the stock options is retrospectively reflected in these financial statements. The conversion of the options will be treated as an option modification during the first quarter of 2014.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Share-Based Compensation (Continued)

2007 Stock Plan (Incentive Stock Plan)

In August 2007, the Company's Board of Directors and stockholders adopted the Xenetic Biosciences plc 2007 Share Option Scheme (the "2007 Stock Plan"), under which Enterprise Management Incentives may be granted to employees and non-employee directors. The 2007 Stock Plan was amended by resolution of the Board of Directors and shareholders in June 2010 to include the US Share Option Addendum for the purposes of granting incentive stock options and non-statutory stock within the meaning of Section 422 of the Internal Revenue Code.

Options granted under the 2007 Stock Plan expire no later than ten years from the date of grant and have limited transferability. Options may be granted with different vesting terms from time to time or no vesting conditions. The option price of an incentive stock option granted to an employee or of a non-statutory stock option granted to any person who owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company (or any parent or subsidiary) shall be no less than 110% of the fair market value per share on the date of grant. The option price of an incentive stock option granted to any other employee shall be no less than 100% of the fair market value per share on the date of grant.

The number of options available to grant under the 2007 Stock Plan is limited to 15% of the issued ordinary share capital of the Company. As of December 31, 2013, 14,355,591 shares of common stock were collectively available for future grant under the 2000 Stock Plan and 2007 Stock Plan. Options to purchase 2,714,941 shares of common stock were outstanding under the 2007 Stock Plan.

Subsequent to the Acquisition, the 2007 Stock Plan was converted to reflect the new shares issued by the Company under the Scheme related to the Acquisition. As part of the conversion, option holders under the 2007 Stock Plan have the right to subscribe for a number of shares of common stock in the Company in exchange for the cancellation and surrender by the option holder of the original options granted by the 2007 Stock Plan. The number of Replacement Option Shares is determined in the same manner in which the shareholders of Xenetic UK were given the right to acquire shares of common stock in the Company according to the Acquisition. The aggregate exercise price payable in US dollars for Replacement Option Shares is the same as the aggregate exercise price in Pounds Sterling of the original options, using a foreign currency exchange rate for Pounds Sterling into U.S. dollars quoted by Barclays Bank plc at 12 noon GMT on January 23, 2014, the date of the Acquisition. This conversion of the stock options is retrospectively reflected in these financial statements. The conversion of the options will be treated as an option modification during the first quarter of 2014.

Stock Options

The Company grants stock option awards to employees and non-employees with varying vesting terms. The Company measures the fair value of stock option awards using the Black-Scholes option pricing model, which uses the assumptions noted in the tables below. The risk-free interest rate is based upon the US Treasury yield curve in effect at the time of grant, with a term that approximates the expected life of the option. The Company estimates the expected life of options granted to employees using judgment based on the anticipated research and development milestones of the Company's clinical projects and behavior of the Company's employees. The expected life of non-employee options is the contractual life of the option. The Company determines the expected volatility based on a weighted-average of the historical volatility of a peer group of comparable publicly traded companies with product candidates in similar stages of development to the

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Share-Based Compensation (Continued)

Stock Options (Continued)

Company's product candidates in conjunction with the Company's historical volatility. The Company has applied an expected dividend yield of 0% as the Company has not historically declared a dividend and does not anticipate declaring a dividend during the expected life of the options. Further, the Company has applied a forfeiture rate of 0% as the Company has not historically experienced forfeitures. During 2013, approximately two million options were forfeited by a management executive as a result of his unanticipated short period of employment; however, the Company views this situation to be an independent event and does not expect this type of forfeiture to reoccur in the future.

Employee Stock Options

Key assumptions used in the Black-Scholes option pricing model on the date of grant for options granted to employees are as follows:

	December 31,	
	2013	**2012**
Expected dividend yield (%)	-	-
Expected volatility (%)	73.39	77.00
Risk-free interest rate (%)	0.92	0.49
Expected life of option (years)	4.00	3.25
Weighted-average share price ($)	0.29	0.37
Weighted-average exercise price ($)	1.22	0.91
Model used	Black-Scholes	Black-Scholes

During the years ended December 31, 2013 and 2012, the Company granted employee stock options to purchase a total of 2.30 million and 960,000 shares of common stock respectively, with a weighted-average grant date fair value per option share of $1.22 and $0.91, respectively. Cash received from stock option exercises for the years ended December 31, 2013 and 2012 were $2,090 and $709, respectively. The Company considered the implications of these stock option exercises and concluded that there was not a material tax impact.

As of December 31, 2013, there was $77,496 of unrecognized share-based compensation related to employee stock options that are expected to vest. The Company expects to recognize this expense over a weighted-average period of two years.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Share-Based Compensation (Continued)

Employee Stock Options (Continued)

The following is a summary of employee stock option activity for the years ended December 31, 2013 and 2012:

	Number of shares	Weighted-average exercise price	Weighted-average remaining life (years)	Aggregate intrinsic value
Outstanding as of January 1, 2012	4,068,024	$ 0.31		
Granted	960,000	0.91		
Exercised	(19,535)	0.04		$ 8,726
Forfeited	(23,009)	2.04		
Outstanding as of December 31, 2012	4,985,480	0.42		
Exercisable as of December 31, 2012	3,752,296	0.29	4.28	$ 423,487
Outstanding as of January 1, 2013	4,985,480	0.42		
Granted	2,304,000	1.22		
Exercised	(55,379)	0.04		$ 10,663
Forfeited	(2,011,671)	1.22		
Outstanding as of December 31, 2013	5,222,430	0.47	4.68	$ 432,392
Vested or expected to vest as of December 31, 2013	5,222,430	0.47	4.68	$ 432,392
Exercisable as of December 31, 2013	4,063,646	$ 0.30	3.72	$ 432,392

A summary of the status of the Company's non-vested employee stock option shares as of December 31, 2013 and the changes during the year ended December 31, 2013 is as follows:

	Number of shares	Weighted-average grant date fair value
Balance as of January 1, 2013	1,233,184	$ 0.11
Granted	2,304,000	0.07
Vested	(454,400)	0.14
Forfeited	(1,924,000)	0.07
Balance as of December 31, 2013	1,158,784	$ 0.08

Non-Employee Stock Options

Share-based compensation expense related to stock options granted to non-employees is recognized as the services are rendered on a straight-line basis. The Company determined the fair value of the stock options is more reliably measurable than the fair value of the services received. Compensation expense related to stock options granted to non-employees is subject to re-measurement at each reporting period until the options vest.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Share-Based Compensation (Continued)

Non-Employee Stock Options (Continued)

Key assumptions used in the Black-Scholes option pricing model on the date of grant for options granted to non-employees are as follows:

	December 31,	
	2013	2012
Expected dividend yield (%)	-	-
Expected volatility (%)	78.25	73.79
Risk-free interest rate (%)	1.75	1.09
Expected life of option (years)	5.90	6.92
Weighted-average share price ($)	0.26	0.23
Weighted-average exercise price ($)	0.52	0.52
Model used	Black-Scholes	Black-Scholes

During the year ended December 31, 2012, the Company granted non-employee stock options to purchase a total of 416,000 shares of common stock. No non-employee stock options were granted during 2013 and no non-employee stock options were exercised during the years ended December 31, 2013 and 2012. During the year ended December 31, 2013, options to purchase 104,000 shares of common stock vested, with options to purchase 288,000 shares of common stock remaining unvested as of December 31, 2013.

As of December 31, 2013, there was $33,635 of unrecognized share-based compensation related to non-employee stock options that are expected to vest. The Company expects to recognize this expense over a weighted-average period of three years.

The following is a summary of non-employee stock option activity for the years ended December 31, 2013 and 2012:

	Number of shares	Weighted-average exercise price	Weighted-average remaining life (years)	Aggregate intrinsic value
Outstanding as of January 1, 2012	-	$ -		
Granted	416,000	0.52		
Exercised	-	-		
Forfeited	-	-		
Outstanding as of December 31, 2012	416,000	0.52		
Exercisable as of December 31, 2012	24,000	0.31	4.73	$ 0
Outstanding as of January 1, 2013	416,000	0.52		
Granted	-	-		
Exercised	-	-		
Forfeited	-	-		
Outstanding as of December 31, 2013	416,000	0.52	5.90	$ 49
Vested or expected to vest as of December 31, 2013	416,000	0.52	5.90	$ 49
Exercisable as of December 31, 2013	128,000	$ 0.48	4.38	$ 49

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Share-Based Compensation (Continued)

Common stock awards

The Company granted common stock awards to a non-employee in exchange for services provided. The Company measured the fair value of these awards using the fair value of the services provided as it is a more reliable measure of the fair value of the awards. The fair value measurement date of these awards is generally the date the performance of services is complete. The fair value of the awards is recognized as services are rendered on a straight-line basis.

During the years ended December 31, 2013 and 2012, the Company granted 282,509 and 177,607 common stock awards, respectively, with a calculated grant date fair value of $85,825 and $58,339, respectively. As all services were rendered in each respective year, $85,825 and $58,339 of compensation expense related to common stock awards was recognized during the years ending December 31, 2013 and 2012, respectively. As of December 31, 2013, there was no unrecognized share-based compensation related to non-employee common stock awards. These common stock awards were not issued as of December 31, 2013 or 2012.

Joint Share Ownership Plan

In 2010 and 2012, the Company issued 1,701,913 and 8,986,281 JSOP awards, respectively, to two senior executives under the JSOP. During 2011, the 2010 JSOP awards fully vested under the terms of the JSOP due to a significant change in beneficial ownership of the Company, and the related compensation charges were fully recorded during periods prior to 2012 related to this accelerated vesting. As of December 31, 2013, all 2012 JSOP awards were outstanding and unvested, while all 2010 JSOP awards were outstanding and vested.

Under the JSOP, shares in the Company are jointly purchased at fair market value by the participating executives and the trustees of the JSOP trust, with such shares held in the JSOP trust. For US GAAP purposes the awards are valued as employee options.

The JSOP trust holds the shares of the JSOP until such time as the JSOP shares are vested and the participating executives exercise their rights under the JSOP. The JSOP trust is granted an interest bearing loan by the Company in order to fund the purchase of its interest in the JSOP shares. The loan held by the trust is eliminated on consolidation in the financial statements of the Company. The Company funded portion of the share purchase price is deemed to be held in treasury until such time as they are transferred to the employee and is recorded as a reduction in equity.

The exercise price of the “option” is deemed to be the market value of the shares at the date of issue. The awards vest based on certain market conditions, which require each tranche of shares to meet specific share price hurdles, or change in control conditions, as defined by the plan. Under the JSOP and subject to the vesting of the participants’ interest, participating executives will, when the JSOP shares are sold, be entitled to a share of the proceeds of sale equal to the growth in market value of the JSOP shares versus the exercise price, less simple interest on the original share purchase price, net of executives’ cash contribution at inception, as agreed for each grant (the “Carry Charge”). The balance of the proceeds will remain to the benefit of the JSOP trust and be applied to the repayment of the loan originally made by the Company to the JSOP trust. Any funds remaining in the JSOP trust after settlement of the loan and any expenses of the JSOP trust are for the benefit of the Company.

The Company measures the fair value of the awards using Monte Carlo simulations, which requires estimates based on the Company’s judgment as well as other assumptions. These estimates include the

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Share-Based Compensation (Continued)

Joint Share Ownership Plan (Continued)

expected term of each tranche of the JSOP awards, which the Company determined to be the initial life of the awards, and expected volatility, which is based on a weighted-average of the historical volatility of a peer group of comparable publicly traded companies with product candidates in similar stages of development to the Company's product candidates in conjunction with the historical volatility of Xenetic Biosciences plc's shares when traded on the UK Alternative Investment Market. The Company has applied an expected dividend yield of 0% as the Company has not historically declared a dividend and does not anticipate declaring a dividend during the expected life of the awards. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the time of grant, with a term that approximates the expected life of the awards. The compensation expense is recorded over the expected life of the option, regardless of whether the awards vest. Having established the full value of the JSOP awards using the Monte Carlo simulation outlined above, a deduction is made in respect of the anticipated Carry Charge in order that the expense recorded in the financial statements only represents the participating executives' net interest in the awards.

On exercise of the JSOP awards by the executives the Carry Charge due to the Company will be recognized as additional paid-in capital, arising from the sale of treasury stock.

Due to the nature of the vesting of the JSOP awards, the Company uses a graded vesting model to recognize the related compensation expense. The share price hurdles range from $0.75 to $2.50 per share of common stock. The Company used the following weighted-average assumptions for the 2012 JSOP awards:

	December 31, 2012
Expected dividend yield (%)	-
Expected volatility (%)	76.00
Risk-free interest rate (%)	0.57
Expected life of option (years)	3.00
Weighted-average share price ($)	0.17
Weighted-average exercise price ($)	0.17
Model used	Monte Carlo

The total fair value of the 2012 JSOP awards was $853,889. The Company recognized $279,484 and $235,927 of compensation costs in 2013 and 2012 respectively, related to 2012 JSOP awards.

As of December 31, 2013, there was $326,066 of total unrecognized compensation costs related to the 2012 JSOP awards. Subsequent to December 31, 2013, the 2012 JSOP awards fully vested under the terms of the JSOP due to market share price hurdles that were met. As a result, the Company expects to recognize $326,066 of compensation expense during the first quarter of 2014 related to this accelerated vesting.

13. Restructuring Charges

In September 2012, the Company approved and publicly announced a business plan to close the Company's SymbioTec office in Germany and shift operations to the Company's office in the UK. The Company treated all costs incurred related to this closing as restructuring charges. The closing was expected to drive cost savings and leverage potential synergies from the SymbioTec acquisition.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Restructuring Charges (Continued)

The expenses incurred include employee severance and facility closure charges. The Company incurred total expenses of approximately $112,000 related to SymbioTec restructuring activities, which was recorded in the line item administrative expenses in the Company's statement of operations. The following table sets forth the costs incurred during the year ended December 31, 2012:

	Year ended December 31, 2012
Facility closure expenses	$ 13,000
Employee termination expenses	99,000
Total restructuring charges	$ 112,000

All costs related to the SymbioTec restructuring activities were completed as of December 31, 2012.

14. Related Party Transactions

The Company received a short term unsecured loan facility of up to $1.7 million from SynBio, a related party, in May 2011, of which $681,124 and $682,993 is outstanding as of December 31, 2013 and 2012. The loan had an interest rate of 8.04% as of the date of grant, with interest payable upon repayment of the loan, which was to be seven months after the closing date of the loan. During 2012 the loan matured and it was agreed by both parties that the loan can be called due with full repayment of the outstanding principle including accrued interest upon future agreement by both parties. It was also agreed at this point that as of July 1, 2012, no further interest on the outstanding loan balance will be accrued. The loan is recorded in current liabilities as of December 31, 2013. $0 and $706,201 were repaid by the Company during the years ended December 31, 2013 and 2012 respectively. The change in the balance of the loan between December 31, 2013 and 2012 is due to foreign currency translation. The loan does not bear interest at the prevailing market rate for instruments with similar characteristics.

Please refer to Note 4, *Significant Strategic Drug Development Collaborations* for details of arrangements with collaboration partners that are also related parties.

15. Subsequent Events

Significant Agreement

On January 30, 2014, the Company announced the amendment of the licensing agreement with Baxter in which certain financial and timing aspects of the agreement were modified. As a result, the Company is entitled to receive certain amounts in development, regulatory and sales milestone payments as well as increased royalties on potential net sales. In addition, Baxter SA made a direct equity investment of $10 million in cash in exchange for 10,695,187 shares of the Company's common stock. Following this investment, Baxter SA increased their share ownership to approximately 10%.

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Subsequent Events (Continued)

Reverse Merger Business Combination

The Acquisition transaction between the Company and Xenetic UK was completed on January 23, 2014 and resulted in the Company acquiring all of the issued and outstanding common stock of Xenetic UK. The Acquisition was accounted for as a reverse acquisition under the acquisition method of accounting per ASC 805, with Xenetic UK treated as the accounting acquirer and the Company treated as the "acquired" company for financial reporting purposes. This was determined based on the following facts: (i) after the reverse merger, former stockholders of Xenetic UK held a majority of the voting interest of the combined company; (ii) former Board of Directors of Xenetic UK possess majority control of the Board of Directors of the combined company; and (iii) members of the management of Xenetic UK are responsible for the management of the combined company. As such, the financial statements of Xenetic UK are treated as the historical financial statements of the combined company.

The fair value of the consideration transferred in the reverse merger was $3.75 million. This was calculated as the number of shares of common stock that Xenetic UK would have had to issue in order for the Company's shareholders to hold the same equity interest in the combined entity immediately following the acquisition (approximately 9.2%), multiplied by the estimated fair value of the Company's common stock on the acquisition date (£0.06 per share). The estimated fair value of the Company's common stock was based on the price of the Company's stock on the acquisition date, which was actively traded on the Alternative Investments Market in the United Kingdom. In addition, Xenetic UK incurred approximately $3 million of transaction costs related to the reverse merger to date.

The fair value of all acquired assets and liabilities summarized below is provisional pending finalization of the Company's acquisition accounting. The Company believes that such preliminary allocations provide a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but the Company is waiting for additional information necessary to finalize fair value. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date. Final determination of the fair value may result in further adjustments.

The preliminary fair value of the acquired assets and liabilities is as follows:

Cash	$ 43,502
Accounts receivable	145
Prepaid expenses	8,643
Property, plant and equipment	331,500
Accounts payable	(354,079)
Accrued expenses	(36,146)
Long-term debt	(372,813)
Total identifiable net assets	(379,248)
Goodwill	4,129,248
Total	$ 3,750,000

XENETIC BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Subsequent Events (Continued)

Reverse Merger Business Combination (Continued)

Following the Acquisition, an Agreement of Conveyance, Transfer and Assignment of Subsidiaries and Assumption of Obligations (the "Hive Out Agreement") was executed, whereupon 10,000,000 outstanding shares of common stock held by Oxbridge Technology Partners SA ("Oxbridge") were canceled, returned to the Company and recorded as treasury shares. In exchange, Oxbridge acquired all issued and outstanding shares of both of the Company's former operating subsidiaries, Shift It Media Co. and General Aircraft, Inc. (the "Disposed Subsidiaries"), including all assets and liabilities connected with the businesses transferred. The Hive Out Agreement also required a payment to Oxbridge of $430,000, which was paid by the Company shortly after the Acquisition.

The Company recorded this divestiture as a separate transaction from the Acquisition that results in the disposal of two of the Company's subsidiaries. The Disposed Subsidiaries did not record any operations in the combined entity following the Acquisition before they were disposed and these financial statements do not reflect the historical financial statements of the Disposed Subsidiaries as they were previously owned by the accounting acquiree. Accordingly, there are no balances to be recorded as discontinued operations on the statement of operations. As a result of the divestiture of the Disposed Subsidiaries, the Company expects to record a loss on disposal of $1,069,675 during the first quarter of 2014 related to a portion of the overall consideration to Oxbridge for the canceled shares returned by Oxbridge.

With the occurrence of the Acquisition and following that, the Hive Out Agreement, the pro forma revenue and net loss financial information as if the transactions had occurred on January 1, 2012 is not necessarily indicative of the Company's consolidated operating results that would have been reported had the transactions been completed as described herein, nor is such information necessarily indicative of the Company's consolidated results for any future period. The year ended December 31, 2013 pro forma net loss would be adjusted to exclude certain expenses incurred during 2013, being approximately $2.2 million of acquisition-related costs and to include the loss on disposal of the Disposed Subsidiaries of approximately $1.1 million, referred to above. There were no pro forma adjustments for the year ended December 31, 2012.

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XENETIC BIOSCIENCES, INC.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2013 and 2012

Valuation Allowance on Deferred Tax Assets	Balance Beginning of Period	Additions (Deductions) Charged to (from) Income Tax Expense	Other Changes to Valuation Allowance	Balance End of Period
2013	$ (9,147,488)	(373,772)	-	$ (9,521,260)
2012	$ (8,159,774)	(987,714)	-	$ (9,147,488)

ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company, as reported in its Current Report filed on Form 8-K on April 10, 2014, changed its accountants to Ernst & Young LLP. The Company has no disagreements with the current or predecessor accountants on any accounting and financial disclosure matters.

ITEM 9A – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Annual Report on Form 10-K.

Based on this evaluation our management, including our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act 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 and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Management under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the design and effectiveness of our internal control over financial reporting as of the end of the period covered by this Annual Report on Form 10-K. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in *Internal Control — Integrated Framework*. Based on this assessment, our management concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our internal control over financial reporting was effective based on the criteria set forth by COSO of the Treadway Commission in *Internal Control — Integrated Framework*.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to an exemption for non-accelerated filers set forth in Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The 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 Company's assets;

(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 the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; 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.

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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ITEM 9B – OTHER INFORMATION

None.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference from the Company's proxy statement for the 2014 annual meeting of stockholders or a Form 10-K/A, to be filed with the Securities and Exchange Commission within 120 days of the end of the Company's fiscal year ended December 31, 2013, except for certain information with respect to our executive officers, which is included in "Part I – Item 1" of this Annual Report on Form 10-K under the caption "Directors and Executive Officers".

ITEM 11 – EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the Company's proxy statement for the 2014 annual meeting of stockholders or a Form 10-K/A, to be filed with the Securities and Exchange Commission within 120 days of the end of the Company's fiscal year ended December 31, 2013.

ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from the Company's proxy statement for the 2014 annual meeting of stockholders or a Form 10-K/A, to be filed with the Securities and Exchange Commission within 120 days of the end of the Company's fiscal year ended December 31, 2013.

ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the Company's proxy statement for the 2014 annual meeting of stockholders or a Form 10-K/A, to be filed with the Securities and Exchange Commission within 120 days of the end of the Company's fiscal year ended December 31, 2013.

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference from the Company's proxy statement for the 2014 annual meeting of stockholders or a Form 10-K/A, to be filed with the Securities and Exchange Commission within 120 days of the end of the Company's fiscal year ended December 31, 2013.

PART IV

ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following is filed as part of this Annual Report on Form 10-K:

- *Consolidated Financial Statements:* The consolidated financial statements and report of independent registered public accounting firm required by this item are included in Part II, Item 8;
- *Financial Statement Schedules:* Schedule II, Valuation and Qualifying Accounts, is included in Part II, Item 8.

All other schedules are omitted because they are not applicable or not required, or because the required information is shown either in the consolidated financial statements or in the notes thereto.

(b) **Exhibits:** The attached list of exhibits in the "Exhibit Index" immediately preceding the exhibits to this Annual Report on Form 10-K is incorporated herein by reference in response to this item.

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SIGNATURES

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

XENETIC BIOSCIENCES, INC.

April 15, 2014 By: /S/ MICHAEL SCOTT MAGUIRE
Michael Scott Maguire
Chief Executive Officer and President

POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Xenetic Biosciences, Inc., hereby severally constitute and appoint Michael Scott Maguire and Colin William Hill, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below, all amendments to this report, and generally to do all things in our names and on our behalf in such capacities to enable Xenetic Biosciences, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the 15th day of April, 2014.

Signature	Title(s)
/S/ MICHAEL SCOTT MAGUIRE Michael Scott Maguire	President, Chief Executive Officer and Director (Principal Executive Officer)
/S/ COLIN WILLIAM HILL Colin William Hill	Chief Financial Officer (Principal Financial and Accounting Officer)
/S/ FIRDAUS JAL DASTOOR FCS Firdaus Jal Dastoor FCS	Director
/S/ ARTUR ISAEV Artur Isaev	Director
/S/ SIR BRIAN RICHARDS Sir Brian Richards	Director
/S/ DR. TIMOTHY R. COTE Dr. Timothy R. Coté	Director
/S/ DARLENE DEPTULA-HICKS Darlene Deptula-Hicks	Director

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	Articles of Incorporation (1)
3.2	Certificate of Amendment to Articles of Incorporation (2)
3.3	Certificate of Amendment to Articles of Incorporation (3)
3.4	Bylaws (1)
9.1	Scheme of Arrangement (including the Equivalent Document) (4)
9.2	Announcement of Recommended Offer for shares of Xenetic Biosciences plc (5)
9.3	Agreement of Conveyance, Transfer and Assignment of Subsidiaries and Assumption of Obligations (6)
10.1 *	Employment Agreement, dated November 3, 2009, between Lipoxen plc and Michael Scott Maguire **
10.2 *	Employment Agreement, dated July 2, 2007, between Lipoxen plc and Colin W. Hill **
10.3 *	Form of Lease for Ledgemont Research Center, Lexington, Massachusetts dated August 1, 2013 between One Ledgemont LLC and Xenetic Bioscience, Incorporated
10.4 *	Form of Lease relating to 3rd Floor Rear, Greener House, 68 Haymarket, London SW1 dated March 20, 2012 between Her Majesty the Queen, The Crown Estate Commissioners and Xenetic Biosciences plc
10.5 *	Form of Rules of the Lipoxen plc Unapproved Share Option Plan dated July 18, 2000 (as amended by a resolution of the board of directors of Lipoxen plc passed on March 14, 2006)
10.6 *	Form of Xenetic Biosciences plc 2007 Share Option Scheme and US Addendum (as established in 2007 and by resolution of shareholders in 2010 and awarded by board resolution in 2012)
10.7 *	Form of Xenetic Biosciences, Inc. Equity Incentive Plan, effective January 23, 2014
10.8 *	Stock Purchase Agreement, dated January 29, 2014, between Xenetic Biosciences, Inc. and Baxter Healthcare SA
10.9 *	Stock Purchase Agreement Amendment, dated February 14, 2014, between Xenetic Biosciences, Inc. and Baxter Healthcare SA
10.10 *	Exclusive Research, Development and License Agreement, dated August 15, 2005, between Lipoxen Technologies Ltd and Baxter Healthcare SA and Baxter Healthcare Corporation
10.11 *	Letter Agreement, dated December 11, 2006, between Lipoxen Technologies Ltd, Baxter Healthcare SA and Baxter Healthcare Corporation and Serum Institute of India Limited
10.12 *	Amendment to the Exclusive Research, Development and License Agreement, dated December 13, 2006, between Lipoxen Technologies Ltd and Baxter Healthcare SA and Baxter Healthcare Corporation
10.13 *	Second Amendment to the Exclusive Research, Development and License Agreement, dated May 28, 2009, between Lipoxen Technologies Ltd and Baxter Healthcare SA and Baxter Healthcare Corporation
10.14 *	Amendment Number Four to the Exclusive Research, Development and License Agreement, dated August 10, 2010, between Lipoxen Technologies Ltd and Baxter Healthcare SA and Baxter Healthcare Corporation
10.15 *	Amendment Number Five to the Exclusive Research, Development and License Agreement, dated September 15, 2010, between Lipoxen Technologies Ltd and Baxter Healthcare SA and Baxter Healthcare Corporation
10.16 *	Form of Sixth Amendment to the Exclusive Research, Development and License Agreement, dated January 29, 2014, between Lipoxen Technologies Ltd and Baxter Healthcare SA and Baxter Healthcare Corporation
10.17 *	Novotech Master Clinical Research Services Agreement, dated February 6, 2013
10.18 *	Agreement on Co-Development and the Terms of Exclusive License dated August 4, 2011 between Lipoxen plc and SynBio LLC

EXHIBIT NUMBER	DESCRIPTION
10.19 *	Subscription Agreement in respect of ordinary shares in the capital of Lipoxen plc dated August 4, 2011 between SynBio LLC and Lipoxen plc
10.20 *	Collaboration, License and Development Agreement, dated November 11, 2009, between OJSC Pharmsynthez and Lipoxen Technologies Ltd
10.21 *	Exclusive Patent and Know How License and Manufacturing Agreement, dated August 4, 2011, between Lipoxen plc, Lipoxen Technologies Ltd and Serum Institute of India Limited
10.22 *	Director Appointment Agreement, dated January 23, 2014, between SynBio LLC and Xenetic Biosciences, Inc.
31.1 *	Certification of Michael Scott Maguire, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 *	Certification of Colin W. Hill, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 *	Certifications of Michael Scott Maguire, Chief Executive Officer, and Colin William Hill, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1)	Incorporated by reference to Registration Statement on Form S-1 filed November 21, 2011
(2)	Incorporated by reference to Current Report on Form 8-K filed February 12, 2013
(3)	Incorporated by reference to Current Report on Form 8-K filed February 27, 2013
(4)	Incorporated by reference to Current Report on Form 8-K filed November 25, 2013
(5)	Incorporated by reference to Current Report on Form 8-K filed November 13, 2013
(6)	Incorporated by reference to Annual Report on form 10-K filed November 27, 2013
*	Exhibit filed with this report
**	Management contract or compensatory plan

Exhibit 10.01

DATED: 3 November 2009

(1) LIPOXEN PLC

- and -

(2) MICHAEL SCOTT MAGUIRE

SERVICE AGREEMENT

THIS AGREEMENT is made the 3rd day of Nov 2009

BETWEEN:

(1) **LIPOXEN PLC** a company registered under the laws of England whose registered office is at London Bioscience Innovation Centre, 2 Royal College Street, London, NW1 2NH ("the Company")

(2) **MICHAEL SCOTT MAGUIRE** [***]

IT IS HEREBY AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 In this Agreement the following words and expressions shall, except where the context requires otherwise, have the following meanings:

"**Admission Date**" means the date of the Listing;

"**AIM**" means the Alternative Investment Market of London Stock Exchange plc (or a successor thereof);

"**Associated Company**" means in relation to the Company, another company which is a subsidiary or subsidiary undertaking of, or a holding company or parent undertaking of, or another subsidiary or subsidiary undertaking of a holding company or parent undertaking of, the Company. "**subsidiary**" "**subsidiary undertaking**" "**holding company**" and "**parent undertaking**" means the meanings respectively ascribed thereto by sections 736 and 7i6A of the Companies Act 1985 (as amended);

"**Board**" means the Board of Directors from time to time of the Company and any duly appointed committee of the Board;

"**Business**" means the carrying on of the business of biotechnology research, development and marketing of polysialylation drug delivery products and any and all other business or management services in which the Company or any Associated Company shall be engaged, concerned or interested from time to time and ip which the Executive was involved or had contact and dealings during the course of this Agreement;

"**Business Day**" means any day other than a Saturday or Sunday when banks are ordinarily open for business in the United Kingdom;

"**Confidential Business Information**" means any information of a confidential or secret nature (including without limitation customer accounts, global and regional operations, investment strategies and projects, trade secrets, inventions, designs, formulae, financial information, technical information, marketing information, and lists of customers) whether or not recorded in documentary form or on computer disc or tape;

"**Customer**" means any person, firm, company or other organisation whatsoever to whom the Company or any Associated Company has supplied Business;

"**employment**" means the Executive's employment under this Agreement or, as the context requires, its duration;

"**ERA 1996**" means Employment Rights Act 1996;

"**External Advisor**" means any consultant or other advisor engaged by the Company to assist in the identification and negotiation of Fundraising but which for the avoidance of doubt shall not include the Company's solicitors and auditors from time to time;

"**Group**" means the Company and each Associated Company (if any);

"**Incapacity**" means any illness, accident or other like cause which prevents the Executive from performing his duties hereunder;

"**Intellectual Property**" means, without limitation, copyright material, inventions, designs (whether registrable or not), processes, products, formulae, notations, improvements, know-how, goodwill, reputation, moulds, get-up, logos, devices, plans, models, literary material, computer codes, studies, data, charts, specifications, computer firmware and software, any work consisting of a computer programme or work generated by a computer, pre-contractual and contractual documents and all drafts of the above works and materials and materials and working papers relating to such works and materials;

"**Intellectual Property Rights**" means patents, registered and unregistered design rights, trademarks, service marks, trade names, goodwill, copyrights, moral rights, database rights and all other intellectual property rights (in each case in any part of the world and whether or not registered or registrable and to the fullest extent thereof and for the full period thereof and all extensions and renewals thereof) and all applications for registration thereof;

"**Listing**" means the admission to trading of the entire issued share capital of the Company on AIM;

"**Production**" means (and consonant expressions) used in relation to Relevant Intellectual Property includes the invention, creation, conception, improvement, discovery, design. research, development and manufacture thereof,

"**the Regulations**" means Working Time Regulations 1998:

"**Relevant Intellectual Property**" means all Intellectual Property produced invented, created, conceived or discovered by the Executive either alone or with any other person at any time now or hereafter during the continuance in force of this Agreement (whether or not in the course of his employment) which is Intellectual Property of the kind produced at any

such time by the Company or any Associated Company, or relates directly or indirectly to the Business or which may in the reasonable opinion of the Company be capable of being used or adapted for use therein or in connection therewith;

"**Restricted Territory**" means any area or country in which the Company or Associated Company shall carry on Business;

"**Termination Date**" means the date on which this Agreement ends.

1.2 References in this Agreement and in any schedules to statutes shall include any statute modifying, re-enacting, extending or made pursuant to the same or which is modified, reenacted, or extended by the same.

1.3 Headings are for ease of reference only and shall not be taken into account in the construction of this Agreement.

1.4 Any reference to the Executive shall, if appropriate, include his personal representatives.

1.5 Any reference in this Agreement to a clause or sub-clause is to the relevant clause or sub-clause of this Agreement.

1.6 Any schedules to this Agreement form an integral part thereof and any reference to this Agreement includes a reference to such schedules.

1.7 Nothing in this Agreement shall prohibit the Executive from making a protected disclosure under the Public Interest Disclosure Act 1998.

2 STATUTORY PARTICULARS OF EMPLOYMENT

This Agreement contains the statutory particulars of employment required by section I of the ERA 1996. There are no collective agreements in force which directly affect the terms and conditions of the Executive's employment.

3 APPOINTMENT

The Company appoints the Executive as Chief Executive Officer (or in such other capacity as the parties may agree) pursuant to Clause 6, subject to the completion of the acquisition of the entire issued share capital of Lipoxen Technologies Limited and Listing, such appointment will be deemed to take effect on the Admission Date.

4 PLACE OF WORK

The Executive shall perform his duties at the Company's corporate HQ office in London or such other place as the Executive and the Company may agree, including at a location operated by an Associated Company (provided that such location is at a reasonable proximity to London). The Executive may be required to travel within and outside the United Kingdom for the purpose of carrying out his duties under this Agreement.

5 TERM

5.1 The Executive's employment shall be deemed to commence on the Admission Date ("the Commencement Date") and shall continue thereafter unless and until terminated by either party giving to the other not less than twelve months' prior notice in writing.

5.2 The Executive's continuous employment with the Company began on 19 March 2004.

6 POWERS, DUTIES AND WORKING HOURS

6.1 During the continuance of the Executive's employment the Executive shall:

(a) be flexible in his approach to work because of the nature of the Company's business demands. The Executive shall carry out such duties and exercise such powers to manage and promote the interests of the Business of the Company or Group as may from time to time be vested, authorised, and delegated to him and at such place as determined by the Company in accordance with Clause 4;

(b) take all responsibility for the overall commercial development of the Company including in the areas of licensing and strategic transactions. The Executive will also take responsibility of fundraising activities for the Company;

(c) subject to clause 16 (including for the avoidance of doubt the Executive's other business interests referred to in Schedule A to the extent they are permitted by clause 16) devote 35 hours per week, plus such additional time as is necessary for the proper performance of his duties as Chief Executive Officer, to carrying out his duties hereunder and give the full benefit of his knowledge and skill to the Company and any Associated Company;

(d) carry out his duties in a proper, diligent, faithful and efficient manner and use his best endeavours to promote and maintain the interests and reputation of the Group;

(e) report directly to the Board and comply with all reasonable directions given to him by the Board and, acting reasonably, keep the Board promptly and fully informed (in writing if requested) of the conduct of the Business or affairs of the Group and provide such explanations and information as the Board may require in connection with such Business or affairs;

(f) at all times comply with all rules and regulations of the Company which are consistent with this Agreement;

(g) refrain from making statements about the Group which he knows to be false or misleading;

(h) work such hours as may be necessary or appropriate from time to time in order for the Executive properly and effectively to carry out his duties. Both parties agree that the Executive is regarded as a "managing executive" for the purposes of the Regulations. In any event, the Executive accepts that by signing this Agreement, he has agreed that regulation 4 (i) of the Regulations shall not apply. The Executive accepts that such opt-out will be for an indefinite period but may be terminated by the Executive giving three months' written notice of termination of the opt-out to the Company at any time.

(i) The Company may from time to time appoint any other person to act on the Executive's behalf in the event that the Executive cannot perform his duties under this Agreement due to Incapacity.

7 REMUNERATION

7.1 The Executive shall be paid a basic salary at the rate of [***] per annum, effective 1 January 2009, (inclusive of any director's fees payable as director of the Company or any Associated Company).

7.2 The Executive's salary and compensation shall be reviewed from time to time by the Remuneration Committee (such that the Executive's salary and remuneration package shall be adjusted so as to be competitive with remuneration packages for Chief Executive Officers of comparable companies in the pharmaceutical/biotechnology sector listed on AIM) without any obligation to increase. For the avoidance of doubt, remuneration shall not be reduced without the prior written consent of the Executive.

7.3 Subject to clause 7.4, such salary referred to in clause 7.1 (or as adjusted pursuant to review referred to in clause 7.2) shall accrue from day to day and will be paid each month in arrears on or about the last day of the month. The Executive will be provided with a payslip each month.

7.4 The Executive will, with effect from the Date of Admission, be granted an option over [***] of the enlarged issued share capital of the Company, which options shall be exercisable in accordance with the rules of the terms the deed attached at Schedule B under which they are granted. These terms will confirm that the Executive will bear all PAYE and Employee's National Insurance Contributions arising from the exercise of those options and that he will keep the Company fully and effectively indemnified in respect of any such liability.

7.5 The Executive will be eligible to participate in the Company's bonus and share option schemes, from time to time in force.

8 EXPENSES

8.1 The Company shall reimburse to the Executive all reasonable travelling, hotel, entertainment, telephone/mobile phone and other out-of-pocket expenses properly incurred by him in the proper performance of his duties

subject to the prior approval of the Financial Controller and the production of monthly statements of such expenses including, where relevant, the appropriate VAT invoices and such other evidence as the Company may require. The Executive shall be repaid within 5 Business Days from the submission of his request for reimbursement of any expenses.

9 DEDUCTIONS

The Company reserves the right to deduct from the Executive's salary, bonus or any payments due to the Executive on the termination of this Agreement or any other sums due to the Executive any sums which the Executive owes the Company including any overpayments or loans made to the Executive by the Company.

10 PENSION AND OTHER BENEFITS

10.1 Subject to (a) the provisions of section 638 of the Income and Corporation Taxes Act 1988 and (b) the payment by the Executive of a sum equal to four per cent of the Executive's then current salary in each year of his employment into the same, the Company shall pay a sum equal to eight per cent of the Executive's then current salary in each year of his employment (with a pro rata payment in respect of part of the year) to a personal pension scheme which has been established by the Company for his benefit or into such other personal pension scheme as the Executive may direct. There is no contracting out certificate in force in respect of the Executive's employment

10.2 The payments referred to in clause 10.1 will be made monthly.

10.3 During the continuance of the Executive's employment the Company shall effect insurance policies and shall pay all premiums due hereon in respect of the life of the Executive which shall be insured in the sum equivalent to four times the Executive's salary from time to time, to enure for the benefit of the Executive's estate and successors.

10.4 The Executive and the members of his household will be eligible for inclusion in the Company's private medical scheme. If the Executive elects to join it the Company will pay the subscription for the Executive personally at the normal level selected for directors of the Company. The Executive may elect to have cover provided for members of his household. The Executive will be required to pay all additional subscriptions, which the Company will recover by monthly deductions from the Executive's salary.

10.5 The Executive will be covered by the Company's permanent health insurance scheme.

10.6 The Executive shall be entitled to be reimbursed for all reasonable expenses incurred in the preparation and filing of his annual tax return with the United States Internal Revenue Service, provided that any amount over £3,500 (plus VAT) per annum must first be approved in writing by the Company's financial controller or chief financial officer from time to time. For the avoidance of doubt, nothing in this clause shall oblige the

Company to reimburse to the Executive any sum in respect of taxation actually paid or payable to the Unites States Internal Revenue Service or other taxation authority in the United States.

10.7 All of the benefits referred to in this clause 10 shall commence with effect from, and shall not be payable until, the earlier of a Listing, Business Sale or Private Round.

11 HOLIDAYS

11.1 The Company's holiday year runs from 1st January to 31st December ("Holiday Year"). In addition to statutory holidays the Executive shall be entitled in every Holiday Year from the Commencement Date until the earlier of a Listing, Business Sale or Private Round to 25 working days' paid holiday (which shall accrue pro rata). The Executive shall not be entitled to carry forward any unused part of his holiday to the next Holiday Year which holiday entitlement shall be paid in full.

11.2 For the Holiday Year during which the Executive's employment commences or terminates the Executive's holiday entitlement shall accrue on a pro rata basis proportional to the number of days worked during that Holiday Year. On the termination of the Executive's employment, the Executive shall be entitled to pay in lieu of outstanding holiday.

11.3 Holiday pay shall be calculated in accordance with the Executive's basic salary as specified in Clause 7.1 (or any subsequent amendment to that clause).

11.4 Regulations 15(1) to 15(4) (dates on which leave is taken) of the Regulations shall not apply to the Executive's employment.

12 INCAPACITY

12.1 If the Executive is absent from work due to Incapacity he shall notify the Financial Controller as soon as possible about the nature of his illness and how long he is likely to be absent. If the Incapacity continues for seven or more consecutive days the Executive shall provide a medical practitioner's statement on the eighth day and weekly thereafter. Immediately following the Executive's return to work after a period of absence the Executive shall complete a self-certification form which shall be made available by the Company.

12.2 If the Executive is absent from work due to Incapacity duly notified and certified in accordance with Clause 12.1 the Company shall pay the Executive his full remuneration for up to an aggregate of 30 working days absence in any period of 12 months and thereafter such remuneration (if any) as the Board shall in its absolute discretion approve.

12.3 If the Incapacity shall be occasioned by a third party in respect of which damages are recoverable the Executive shall immediately notify the Board of that fact and of any settlement or judgment made in connection with it and shall give to the Board such particulars and all payments made to the

Executive by the Company by way of salary (including any bonus or commission) or sick pay shall to the extent that damages for loss of earnings are recoverable from that third party constitute loans from the Company to the Executive (notwithstanding that as an interim measure income tax and national insurance has been deducted from payments as if they were emoluments of employment) and shall be repaid to the Company when and to the extent that the Executive recovers damages for loss of earnings.

12.4 The remuneration paid under Clause 12.2 shall include any statutory sick pay payable and when this is exhausted shall be reduced by the amount of any state benefits (including state sickness benefit and invalidity benefit) and other benefits recoverable by the Executive (whether or not recovered).

12.5 The Company reserves the right to terminate the Executive's employment if he is absent from work by reason of Incapacity for a total of 31 working days in an aggregate period of 12 months or becomes of unsound mind or become a patient under the Mental Health Act 1983.

13 CONFIDENTIAL INFORMATION

13.1 The Executive acknowledges that:

(a) the Company and any Associated Company possesses a valuable body of Confidential Business Information;

(b) the Company and any Associated Company will give the Executive access to Confidential Business Information in order that the Executive may carry out his duties;

(c) either during the course of the Executive's employment or on leaving the employment of the Company, if the Executive were to disclose any Confidential Business Information to an actual or potential competitor of the Company or any Associated Company or any third party, it would cause a serious competitive disadvantage and immeasurable financial and other damage to the Company or any Associated Company.

13.2 The Executive shall during the continuance of his employment and at all times thereafter keep with inviolable secrecy and shall not reveal, make use of, disclose or publish to any person other than the Board or persons nominated by them, or otherwise utilise other than for the proper performance of the Executive's duties,

(a) any Confidential Business Information of the Company or of any Associated Company; or

(b) any Confidential Business Information of any third party (including suppliers, agents. distributors or Customers) which the Company is obliged to maintain as confidential

of which the Executive may now know or have learned or which the Executive may hereafter know or learn while in the Company's employment.

14 INTELLECTUAL PROPERTY

14.1 All Relevant Intellectual Property and all Intellectual Property Rights therein shall to the fullest extent permitted by law and statute belong to, vest in and be the absolute, sole and unencumbered property of the Company or an Associated Company immediately on its coming into existence and the Company or any Associated Company shall be entitled, free of charge, to the exclusive use thereof.

14.2 The Executive hereby:

(a) acknowledges for the purposes of Section 39, Patents Act 1977 that because of the nature of his duties and the particular responsibilities arising from the nature of his duties he has and at all times during his employment will have a special obligation to further the interests of the Business (for the avoidance of doubt limited to the scope of his duties set out in clause 6) and undertakings of the Company and of any Associated Company;

(b) undertakes to notify and disclose to the Company in writing all Relevant Intellectual Property forthwith upon the Production of the same and to keep secret and confidential (before or after termination of the Executive's employment) such Relevant Intellectual Property, and promptly whenever requested by the Company and in any event upon the termination of his employment deliver up to the Company all correspondence and other documents, papers and records, and all copies thereof in his possession, custody and power relating to any Relevant Intellectual Property and the Executive shall sign a declaration of compliance with the terms of this Clause 15.2.2;

(c) undertakes to hold upon trust for the benefit of the Company or any Associated Company any Relevant Intellectual Property and the Intellectual Property Rights therein to the extent the same may not be and until the same are vested absolutely in the Company or any Associated Company;

(d) assigns by way of future assignment all copyright, design rights and other propriety rights (if any) in all Relevant Intellectual Property;

(e) pursuant to Section 77 and the provisions of Chapter IV of Part 1 of the Copyright, Designs and Patents Act 1988, unconditionally and irrevocably waives his rights to be identified as the author of any of the Relevant Intellectual Property in which copyright subsists ("the Work") including any moral rights to the Work and not to have the Work subjected to derogatory treatment; and this waiver is made expressly in favour of the Company and shall extend to licensees and successors in title to the copyright in the Work;

(f) acknowledges that, save as provided by law, no further remuneration or compensation other than that provided for herein is or may become dice to him in respect of the performance of his obligations under this Clause 15;

(g) undertakes at the expense of the Company to execute all such documents and give such assistance as may reasonably be necessary or desirable to vest in and register or obtain letters or patents in the name of the Company or any Associated Company and otherwise to protect and maintain the Relevant Intellectual Property and the Intellectual Property Rights therein; and

(h) agrees that the Company may, on his behalf, do all such things to vest full right and title to any Relevant Intellectual Property in the Company or as it shall direct and, as regards any third party, the Executive agrees that any such document or act shall be conclusive and binding upon the third party.

14.3 The Executive agrees and understands that rights and obligations under this Clause 15 apply both during the Executive's employment with the Company and after its termination for whatever reason and shall be binding upon the Executive's representatives.

14.4 To the extent that by law any Relevant Intellectual Property or the Intellectual Property Rights therein do not, or are not permitted to, vest in or belong to the Company or any Associated Company the Executive agrees upon the same coming into existence promptly to offer to the Company or any Associated Company in writing a right of first refusal to acquire the same on arm's length terms to be negotiated and agreed between the parties in good faith.

15 RESTRICTIONS DURING EMPLOYMENT

15.1 The Executive shall not during the continuance of his employment without the prior consent in writing of the Board either alone or jointly with or on behalf of others and whether directly or indirectly and whether as principal, partner, agent, shareholder, director, employee, investor or otherwise howsoever engage in, carry on or be interested or concerned in any business other than the Business of the Company or any Associated Company PROVIDED THAT nothing in this Clause 16 shall preclude the Executive from maintaining the Executive's outside business interests and investments set out in Schedule A hereto PROVIDED ALWAYS that:

(a) such business is not at any time in competition with the drug and vaccine delivery business of the Company or any Associated Company; and

(b) such outside interests shall not unduly interfere with the due and proper performance of the Executive's duties hereunder; and

(c) to the extent the execution of the specific projects referred to in Schedule A (other than "Healthcare Capital Partners" and "Proprietary investments on a passive basis for non-competing entities") has not completed by the date which is 12 months following a Listing, then the Executive may continue to pursue the execution of more than three projects only with the prior written consent of the Board which consent shall not be unreasonably withheld or delayed; and

(d) the Executive will disclose forthwith to the Board any involvement or interest by the Executive in the field of biotechnology drug delivery (excluding for the avoidance of doubt medical device drug delivery), or any involvement in any activity which causes or may cause a conflict of interest between the Executive's personal interests and the interests of the Company.

16 SHARE DEALINGS

The Executive shall comply where relevant with every rule of law, every regulation of the UK Listing Authority and/or London Stock Exchange plc and/or AIM or any other market on which the Executive deals and every regulation of the Company in force in relation to dealings in shares, debentures or other securities of the Company or any Associated Company and unpublished price sensitive information affecting the shares, debentures or other securities of any other company, provided always that in relation to overseas dealings the Executive shall also comply with all laws of the state and all regulations of the stock exchange, market or dealing system in which such dealings take place.

17 TERMINATION

17.1 If the Executive;

(a) shall knowingly commit any act of dishonesty relating to the Company, or any Associated Company; or

(b) commits any serious breach or repeats or continues (after warning) any breach of any of his obligations hereunder; or

(c) is guilty of any conduct which in the reasonable opinion of the Company brings the Company or any Associated Company into disrepute; or

(d) shall be prohibited or disqualified by law from holding the office which the Executive holds in the Company or any Associated Company or shall resign from any such office without the prior written consent of the Board; or

(e) is declared bankrupt or enters into any composition or arrangement with or for the benefit of his creditors including a voluntary arrangement under the Insolvency Act 1986; or

(f) is convicted of any arrestable criminal offence (other than an offence under road traffic, health and safety, trade descriptions or environmental legislation for which the Executive is not sentenced to any term of imprisonment whether immediate or suspended)

THEN the Company shall be entitled at its absolute discretion to terminate the Executive's employment immediately without notice or payment in lieu of notice whereupon the Executive shall have no claim against the Company for damages or otherwise by reason only of such termination.

17.2 Upon the termination of the Executive's employment for whatever reason the Executive agrees that:

(a) during any period of notice, the Board may in its absolute discretion require the Executive to perform only such duties as it may allocate to him which are within the scope of his duties in Clause 6 or not to perform any of his duties or to exclude him from any premises of the Group (without providing any reason therefore) and that the Board may require the Executive to stay away from and have no contact with any employees, officers, customers, clients, agents, trade connections or suppliers of the Group provided always that the Executive's entitlement to salary, Success Fees (if any) and all other sums payable to him pursuant to this Agreement shall continue to be paid and provided to the Executive until his employment is terminated; and

(b) at the request of the Company, immediately resign from all directorships and other offices which he may hold in the Company or in any Associated Company (without claim for compensation only in respect of such resigned directorships or offices); and

(c) at the request of the Company and if applicable, transfer without payment any nominee shares held by the Executive on behalf of the Company and/or any Associated Company to the Company and/or any Associated Company; and in the event of the Executive's failure to do so within seven days of such request the Company may effect such transfers on the Executive's behalf; and

(d) at the request of the Company, immediately deliver to the Company all Relevant Intellectual Property, Confidential Business Information, documents (including copies), keys, credit cards and other property of the Company or any Associated Company in the Executive's possession, save for any confidentiality agreements signed by the Executive which the Executive may retain for a period of 12 months from the Termination Date.

17.3 If notice under Clause 18.2(b) is not received by the Company within seven days of a request by the Company the Executive hereby irrevocably authorises the Company to appoint a person to execute any documents and to do everything necessary to effect such resignation on the Executive's behalf.

17.4 The termination of the Executive's employment for whatever reason shall not affect those provisions of this Agreement which are expressed to or are otherwise intended to have effect thereafter.

17.5 The Company may suspend the Executive for the purpose of investigating any misconduct alleged against the Executive, which if substantiated would give the Company a right to terminate this Agreement pursuant to Clause 18.1

and, during any such period the Executive shall not. Except with the prior consent in writing of the Board, attend at any premises of the Company or any Associated Company or contact any employee, customer or supplier of the Company or any Associated Company. The Company shall be under no obligation to provide any work for the Executive during such period and the Executive shall, at the request of the Company, immediately deliver to the Company all or any of its property.

17.6 Notwithstanding the termination of this Agreement for whatever reason, the Executive will continue to be entitled to all share options which have been granted to him or to which the Executive is or may become entitled notwithstanding any termination of his employment, subject to the terms of any Share Option Agreement(s) entered into or to be entered into between the Executive and the Company (or any Associated Company) pursuant to this Agreement, and the rules of the relevant share option scheme.

17.7 Upon the termination of the Executive's employment, howsoever arising, the Executive shall have no rights as a result of this Agreement or any alleged breach of this Agreement to any compensation under or in respect of any share option or bonus scheme in which he may participate or have received grants or allocations out of before the Termination Date save as expressly provided otherwise in the relevant deed of grant. Any rights which he may have in relation to any share option or bonus shall be exclusively governed by the rules of the relevant scheme or deed of grant.

18 DIRECTORSHIPS

The removal of or failure to re-elect the Executive from or to the office of director of the Company and/or any Associated Company or if under the Articles of Association for the time being of the Company or of any Associated Company the Executive shall be obliged to retire by rotation or by a cessation other than stated under Clause 18.2(b) above shall not be deemed to be a termination by the Company of this Agreement and the terms hereunder shall continue to apply to his term of employment.

19 POST-TERMINATION OBLIGATIONS

19.1 The Executive undertakes to and covenants with the Company that:

(a) the Executive shall not for a period of 6 months after termination of this Agreement directly or indirectly and in any capacity deal with or engage in business with or be in any way interested in or connected with any person, concern, undertaking, firm or body corporate which engages in or carries on any business within any part of the Restricted Territory in competition with the drug and vaccine delivery business as carried on at the date of termination by the Company or any Associated Company and where the Executive would be involved in such competing business in the Restricted Territory; and

(b) the Executive shall not for a period of 6 months after the termination of this Agreement directly or indirectly and in any capacity in competition with the Company or any Associated Company:

(i) solicit the custom of, deal with, or provide goods or services of a like description to any person firm or company who is or was at any time during the period of 12 months prior to the termination of this Agreement a Customer or client of the Company or any Associated Company (whether or not introduced by the Executive) and with whom the Executive had contact or dealings or other involvement on behalf of the Company or any Associated Company during such 12 month period;

(ii) canvas, solicit or approach or cause to be canvassed, solicited or approached any person, firm or company who was negotiating with the Company or any Associated Company with a view to becoming a client, supplier or trade connection of the Company in connection with the drug and vaccine delivery business of the Company during the period of 12 months prior to termination of this Agreement and where the Executive was involved in such negotiations or had knowledge of the same during such 12 month period;

(iii) solicit, interfere with or endeavour to entice away from the Company or any Associated Company any person who is or was employed in a senior capacity or as key personnel or in a sales capacity or director of the Company or any Associated Company (whether or not such person would commit a breach of the terms of his contract of employment by leaving the service of the company concerned) and with whom the Executive had contact or dealings with at any time during the period of 12 months prior to termination of this Agreement or knowingly employ, contract with or assist in or procure the employment or services by any other person, firm or company of any such person; and

(c) the Executive shall not at any time before or after termination of this Agreement interfere with the relations between the Company or any Associated Company and any of its trade connections or suppliers or entice away such trade connections or suppliers; and

(d) the Executive shall not at anytime before or after the termination of this Agreement, induce or seek to induce by any means involving the disclosure or use of Confidential Business Information any customer or client, trade connection or supplier to cease dealing with the Company or any Associated Company or to restrict or vary the terms upon which it deals with the Company or any Associated Company; and

(e) the Executive shall not without the prior authority of the Company remove from the Company’s premises copy the contents of any document, computer disc, tape or other tangible item which contains any Confidential Business Information or which belongs to the Company.

19.2 Each of the obligations on the Executive contained in Clause 20.1 constitutes a separate and independent restriction on the Executive notwithstanding that it may be contained in the same sub-clause, paragraph, sentence or phrase.

19.3 If the Company shall exercise its rights in accordance with Clause 18.2(a) the period restrictions under Clause 20.1 shall be reduced by any period of the Executive's exclusion pursuant to Clause 18.2(a).

19.4 If any obligation set out in Clause 20.1 or any part thereof shall be held invalid or unenforceable or void but would not be if some part of it were deleted or modified or varied then such provision shall apply with such deletion, modification or variation as may be necessary to make it valid and effective.

19.5 The Executive agrees that the restrictions at Clause 20.1 are fair and reasonable to protect the legitimate business interests of the Group and agrees that he shall draw the provisions of this Clause 20 to the attention of any third party who may at any time before or after the termination of the Agreement offer to engage the Executive in any capacity and for whom or with whom the Executive intends to work during the period the covenants in this Clause 20 are in force.

20 GRIEVANCE AND DISCIPLINARY PROCEDURE

20.1 The Executive is referred to the disciplinary and appeals procedure normally operated by the Company from time to time which is available from the [Company Secretary].

20.2 There are no special disciplinary rules applicable to the Executive although regard will be had to any Company or Group Company's procedures in place from time to time which will be made available by the Board but which for the avoidance of doubt shall not be incorporated into the Executive's contract of employment by this reference.

20.3 The provisions of the Company's disciplinary and appeals procedure are not contracted upon the Executive or the Company. They are intended merely as guidelines which may be helpful in particular circumstances.

20.4 The Company reserves the right to leave out all or any stages of the disciplinary and appeals procedure where it considers this appropriate.

20.5 The Company reserves the right to change any of the provisions of the disciplinary/appeals procedure (or substituted procedure) where it is considered appropriate.

20.6 If the Executive is dissatisfied with any disciplinary procedure relating to him he should apply in writing to the Board of Directors of the Company within five working days on the date on which he is notified of the disciplinary decision with which he disagrees.

20.7 If the Executive has a grievance relating to his employment he should, in the first instance, speak to one of the executive directors on the Board. If the grievance is not then resolved to his satisfaction, he should refer to the grievance procedure which is available from the [Company Secretary].

20.8 The Company may change any of the provisions of the grievance procedure or of a substituted procedure by amendment, additional deletion or by substitution of the new rules or procedures from time to time at its discretion.

20.9 The provisions of the grievance procedure are not contractually binding upon the Executive or on the Company. They are merely intended as guidelines which may be helpful in particular circumstances.

20.10 The Company reserves the right to suspend the Executive for the purposes of investigating any allegation of misconduct or breach of this Agreement. The period of such suspension shall not normally exceed one month and whilst suspended the Executive shall continue to be entitled to his salary and all other contractual benefits. During any period of suspension pursuant to this clause the Executive shall not, except with the prior written consent of the Chairman of the Board attend any premises of the Company or any Group Company, conduct any business on behalf of the Company or any Group Company or contact any employee or customer of the Company or any Group Company.

21 E-MAIL/INTERNET POLICY

21.1 The Executive shall not send any e-mails of a-defamatory, discriminatory or an abusive nature and shall be prohibited from knowingly accessing or downloading any pornographic or other offensive material and the Executive will indemnify the Company during and after his employment against all liability resulting from the Executive's breach of this Clause 23.

21.2 The Company reserves the right to monitor all e-mail/Internet activity by the Executive and the Executive acknowledges that such a right falls within the exception set out in Article 8(2) of the European Convention on Human Rights.

21.3 A breach of this Clause is misconduct and may result in the termination of the Executive's employment pursuant to Clause 18.1(a).

22 GENERAL

22.1 This Agreement supersedes all other agreements (with the exception of the side letter which details with the agreement reached in relation to the grant and subsequent exercise of the options set out in clause 7.6 above) whether written or oral between the Company or any Associated Company and the Executive relating to the employment of the Executive

including entitlements to equity, share options, shares and bonuses and the Executive agrees that he is not entering into this Agreement in reliance on any representation not expressly set out herein.

22.2 The Executive warrants that by virtue of entering into this Agreement he will not be in breach of any express or implied terms of any contract with, or of any other obligation to, any third party binding upon the Executive and the Company warrants that prior to executing this Agreement all necessary consents and approvals were obtained and all statutory requirements complied with by it.

22.3 If the employment of the Executive under this Agreement is terminated by reason of the liquidation of the Company for the purpose of reconstruction or amalgamation and the Executive is offered employment with any concern or undertaking resulting from the reconstruction or amalgamation on terms and conditions not less favourable than the terms of this Agreement then the Executive shall have the right in his absolute discretion to accept such offer save for any statutory rights the Executive may have, and whether or not the Executive accepts such an offer he shall have no claim against the Company in respect of the termination of his employment.

22.4 This Agreement may be amended only by written agreement between the parties.

22.5 If any provision of this Agreement shall be unenforceable for any reason but would be enforceable if part of it were deleted, then it shall apply with such deletions as may be necessary to make it enforceable.

23 NOTICES

23.1 Any notice or other communication given or made under this Agreement shall be in writing and delivered to the relevant party or sent by first class post to the address of that party specified in this Agreement or such other address in England as may be notified by that party from time to time for this purpose, and shall be effectual notwithstanding any change of address not so notified.

23.2 Unless the contrary shall be proved each such notice or communication shall be deemed to have been given or made, if by first class prepaid post, 48 hours after posting and, if by delivery, at the time of delivery.

24 CHANGES TO TERMS OF EMPLOYMENT

24.1 The Company reserves the right to make reasonable changes to any of the Executive's terms and conditions of employment with the Executive's prior written consent.

24.2 The Executive shall be notified in writing about any changes proposed under Clause 26.1.

25 TERMINATION OF OPTION AGREEMENT

The parties hereby acknowledge and confirm that, save for any accrued rights or claims as at the date hereof, the service agreement and option agreement between the Executive and the Company dated 14 April 2004 are hereby terminated with immediate effect.

26 GOVERNING LAW

This Agreement shall be governed by and construed in all respects in accordance with English law and the parties agree to submit to the exclusive jurisdiction of the English Courts or English Employment Tribunals as regards any claim or dispute arising in respect of this Agreement.

27 EXECUTION

This Agreement may be executed in two or more counterparts and the counterparts shall together constitute one agreement provided that each party has executed one or more counterparts.

IN WITNESS WHEREOF this Agreement has been executed as a deed on the date set out above.

EXECUTED as a deed (but not delivered until dated) by **LIPOXEN PLC**)
)
)

acting by: (Director)

(Director)

SIGNED as a deed (but not delivered until dated) by **MICHAEL SCOTT MAGUIRE** in the presence of:)
[***]

Signature of Witness:

Name of Witness:

Address of Witness:

SCHEDULE A - EXECUTIVE BUSINESS INTERESTS

Healthcare Capital Partners
Project Cape-dialysis
Project Rainbow-diagnostic
Project Fluidity-interventional cardiovascular
Project Alpha-orthopedic implants
Project Nagor-cosmetic surgical applications
Project Crown-pharmaceutical distributor
Proprietary investments on a passive basis for non-competing entities
Renal Services Group (UK).

SCHEDULE B

[***]

November 2005

To: The Directors of Greenchip Investments PLC ("Greenchip")
22 Melton Street
London
NW1 2BW

Dear Sirs

Options over fully-paid ordinary shares in the capital of Greenchip

1. In consideration of your agreement, subject to Admission (as defined in the Deed of Warranty and Undertaking dated [ ] 2005 and made between FDS Associates LP and Greenchip ("Deed of Warranty [***] grant an option to me over [***] immediately following Admission ("the option"), I hereby:

   1.1 agree and undertake not to exercise the Option in whole or in part during the term of the Working Capital Report (as defined in the Deed of Warranty and Undertaking) without the prior written consent of a majority of the directors (other than myself) of Greenchip; and

   1.2 agree and acknowledge that such consent shall be at the absolute discretion (acting reasonably) of a majority of the directors of Greenchip (other than myself) and may be provided only if they are satisfied, in their reasonable opinion and having taken an independent opinion from Greenchip's auditors as to the impact on Greenchip and its subsidiaries' working capital requirements were the Option to be exercised, that Greenchip and its subsidiaries' working capital position for the 12 months following the proposed date of exercise will not be prejudiced thereby.

2. You agree that the consent referred to in paragraph 1.1 above shall not be required to be obtained after 24 months following Admission.

3. In addition, although the Option will be granted under the Rules of the Greenchip Investments PLC Unapproved Share Option Plan dated 18 July 2000 ("the Plan"), you agree that;

   3.1 the price per ordinary share in Greenchip payable on the exercise of the Option shall be 1p;

3.2 subject to paragraphs 1 and 2 above, the Option will only be exercisable 12 months following Admission and thereafter;

3.3 rules 1.2 (from "or, subject" onwards) (continuity as employee), 3.4.4 (date of exercise), 3.4.5 (performance conditions), 4.4 (loss of office), 6 (exercise price), 7 (performance conditions on exercise), 8.6 (good leaving provisions) and 8.7 (other leaving provisions) of the Plan will not apply to me;

3.4 rule 8.2 (timing of exercise of options) will not apply to me but the provisos will still apply to me (other than rule 8.6); and

3.5 rule 14.1 will apply to me save that Greenchip will not require me to:

3.5.1 assume any employer's national insurance liability arising on the exercise of the Option, (in whole or in part); or

3.5.2 make a joint election with it such that I am legally liable for all or part of the employer's national insurance liability arising on the exercise of the Option (in whole or in part)

and for the avoidance of doubt, the interpretation of the definition of Option Tax Liability for the purposes of this deed only shall not include employer's national insurance liability.

4 You agree that the associated Option Certificate and Notice of Exercise will reflect the provisions of paragraphs 1, 2 and 3 above.

Please confirm your acceptance of the terms of this letter by signing the attached copy and returning it to me.

Yours faithfully

SIGNED and delivered as a Deed by)
MICHAEL SCOTT MAGUIRE)
in the presence of:)

Witness Signature:

_____

Witness Name:

_____

Address:

_____

Occupation:

_____

Exhibit 10.02

2 July 2007

(1) LIPOXEN PLC

- and -

(2) COLIN HILL

SERVICE AGREEMENT

THIS AGREEMENT is made the day of July 2007

BETWEEN:

(1) **LIPOXEN PLC** a company registered under the laws of England whose registered office is at 22 Melton Street, London NW1 2BW ("the Company")

(2) **COLIN HILL** [***]

IT IS HEREBY AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 In this Agreement the following words and expressions shall, except where the context requires otherwise, have the following meanings:

"**AIM**" means the Alternative Investment Market of London Stock Exchange plc (or a successor thereof);

"**Associated Company**" means in relation to the Company, another company which is a subsidiary or subsidiary undertaking of, or a holding company or parent undertaking of, or another subsidiary or subsidiary undertaking of a holding company or parent undertaking of, the Company. "**subsidiary**" "**subsidiary undertaking**" "**holding company**" and "**parent undertaking**" means the meanings respectively ascribed thereto by sections 736 and 7i6A of the Companies Act 1985 (as amended);

"**Board**" means the Board of Directors from time to time of the Company and any duly appointed committee of the Board;

"**Business**" means the carrying on of the business of biotechnology research, development and marketing of polysialylation drug delivery products and any and all other business or management services in which the Company or any Associated Company shall be engaged, concerned or interested from time to time and ip which the Executive was involved or had contact and dealings during the course of this Agreement;

"**Business Day**" means any day other than a Saturday or Sunday when banks are ordinarily open for business in the United Kingdom;

"**Confidential Business Information**" means any information of a confidential or secret nature (including without limitation customer accounts, global and regional operations, investment strategies and projects, trade secrets, inventions, designs, formulae, financial information, technical information, marketing information, and lists of customers) whether or not recorded in documentary form or on computer disc or tape;

"**Customer**" means any person, firm, company or other organisation whatsoever to whom the Company or any Associated Company has supplied Business;

"**employment**" means the Executive's employment under this Agreement or, as the context requires, its duration;

"**ERA 1996**" means Employment Rights Act 1996;

"**External Advisor**" means any consultant or other advisor engaged by the Company to assist in the identification and negotiation of Fundraising but which for the avoidance of doubt shall not include the Company's solicitors and auditors from time to time;

"**Group**" means the Company and each Associated Company (if any);

"**Incapacity**" means any illness, accident or other like cause which prevents the Executive from performing his duties hereunder;

"**Intellectual Property**" means, without limitation, copyright material, inventions, designs (whether registrable or not), processes, products, formulae, notations, improvements, know-how, goodwill, reputation, moulds, get-up, logos, devices, plans, models, literary material, computer codes, studies, data, charts, specifications, computer firmware and software, any work consisting of a computer programme or work generated by a computer, pre-contractual and contractual documents and all drafts of the above works and materials and materials and working papers relating to such works and materials;

"**Intellectual Property Rights**" means patents, registered and unregistered design rights, trademarks, service marks, trade names, goodwill, copyrights, moral rights, database rights and all other intellectual property rights (in each case in any part of the world and whether or not registered or registrable and to the fullest extent thereof and for the full period thereof and all extensions and renewals thereof) and all applications for registration thereof;

"**Production**" means (and consonant expressions) used in relation to Relevant Intellectual Property includes the invention, creation, conception, improvement, discovery, design, research, development and manufacture thereof,

"**the Regulations**" means Working Time Regulations 1998:

"**Relevant Intellectual Property**" means all Intellectual Property produced invented, created, conceived or discovered by the Executive either alone or with any other person at any time now or hereafter during the continuance in force of this Agreement (whether or not in the course of his employment) which is Intellectual Property of the kind produced at any such time by the Company or any Associated Company, or relates directly or indirectly to the Business or which may in the reasonable opinion of the Company be capable of being used or adapted for use therein or in connection therewith;

"**Termination Date**" means the date on which this Agreement ends.

1.2 References in this Agreement and in any schedules to statutes shall include any statute modifying, re-enacting, extending or made pursuant to the same or which is modified, reenacted, or extended by the same.

1.3 Headings are for ease of reference only and shall not be taken into account in the construction of this Agreement.

1.4 Any reference to the Executive shall, if appropriate, include his personal representatives.

1.5 Any reference in this Agreement to a clause or sub-clause is to the relevant clause or sub-clause of this Agreement.

1.6 Any schedules to this Agreement form an integral part thereof and any reference to this Agreement includes a reference to such schedules.

1.7 Nothing in this Agreement shall prohibit the Executive from making a protected disclosure under the Public Interest Disclosure Act 1998.

2 STATUTORY PARTICULARS OF EMPLOYMENT

This Agreement contains the statutory particulars of employment required by section I of the ERA 1996. There are no collective agreements in force which directly affect the terms and conditions of the Executive's employment.

3 APPOINTMENT

The Company appoints the Executive as Finance Director for the Company pursuant to Clause 6 below.

4 PLACE OF WORK

The Executive shall perform his duties from his home address and, as may be required from time to time, from the Company's office at 2 Royal College Street, London, NW1, or such other place as the Executive and the Company may agree, including at a location operated by an Associated Company (provided that such location is at a reasonable proximity to London). The Executive may be required to travel within and outside the United Kingdom for the purpose of carrying out his duties under this Agreement.

5 TERM

5.1 The Executive's employment commenced on 11 June 2007.

5.2 The Executive's employment shall be for an indefinite period terminable by either party giving to the other not less than 12 months' notice in writing.

5.3 The Executive represents and warrants that he is not bound by or subject to any contract, court order, agreement, arrangement or undertaking which in any way restricts or prohibits him from entering into this Agreement or performing his duties under it.

6 POWERS, DUTIES AND WORKING HOURS

6.1 The Executive is required to work **not less than** 2.5 full time equivalent days per week to be determined by the Executive in a manner consistent with the fulfillment of his duties to the Company and the Board.

6.2 During the continuance of the Executive's employment the Executive shall:

(a) be flexible in his approach to work because of the nature of the Company's business demands. The Executive shall carry out such duties and exercise such powers to manage and promote the interests of the Business of the Company or Group as may from time to time be assigned to him and at such place as determined by the Company in accordance with Clause 4;

(b) carry out his duties in a proper, diligent, faithful and efficient manner and use his best endeavours to promote and maintain the interests and reputation of the Group;

(c) report directly to the Board and comply with all reasonable directions given to him by the Board and, acting reasonably, keep the Board promptly and fully informed (in writing if requested) of the conduct of the Business or affairs of the Group and provide such explanations and information as the Board may require in connection with such Business or affairs;

(d) do all in his power to promote, develop and protect the business of the Company or Group and at all times comply with all rules and regulations of the Company which are consistent with this Agreement;

(e) refrain from making statements about the Group which he knows to be false or misleading;

(f) work such hours as may be necessary or appropriate from time to time in order for the Executive properly and effectively to carry out his duties. In any event, the Executive accepts that by signing this Agreement, he has agreed that regulation 4 (i) of the Regulations shall not apply. The Executive accepts that such opt-out will be for an indefinite period but may be terminated by the Executive giving three months' written notice of termination of the opt-out to the Company at any time.

7 REMUNERATION

7.1 The Executive shall be paid a basic salary at the rate of [***] per annum based on a full-time salary of [***] per annum.

7.2 The Executive's salary and compensation shall be reviewed annually by the Company without any obligation to increase.

7.3 The salary referred to in clause 7.1 (or as adjusted pursuant to review referred to in clause 7.2) shall accrue from day to day and will be paid each month in arrears on or about 25th day of each month.

7.4 The Executive will be eligible to participate in the Company's share option scheme, from time to time in force.

8 EXPENSES

8.1 The Company shall reimburse to the Executive all reasonable travelling, hotel, entertainment, telephone/mobile phone and other out-of-pocket expenses properly incurred by him in the proper performance of his duties subject to the production of monthly statements of such expenses including, where relevant, the appropriate VAT invoices and such other evidence as the Company may require. The Executive shall be repaid within 5 Business Days from the submission of his request for reimbursement of any expenses.

9 DEDUCTIONS

The Company reserves the right to deduct from the Executive's salary, bonus or any payments due to the Executive on the termination of this Agreement or any other sums due to the Executive any sums which the Executive owes the Company including any overpayments or loans made to the Executive by the Company.

10 PENSION AND OTHER BENEFITS

10.1 The Company shall pay a sum equal to 8%? per cent of the Executive's then current salary in each year of his employment (with a pro rata payment in respect of part of the year) to a personal pension scheme which has been established by the Company for his benefit or into such other personal pension scheme as the Executive may direct. There is no contracting out certificate in force in respect of the Executive's employment.

10.2 The payments referred to in clause 10.1 will be made monthly.

10.3 The Executive and the members of his household will be eligible for inclusion in the Company's private medical scheme. The Executive may elect to have cover provided for members of his household.

10.4 The Executive will be covered by the Company's permanent health insurance scheme.

11 HOLIDAYS

11.1 The Company's holiday year runs from 1st January to 31st December ("Holiday Year"). In addition to statutory holidays the Executive shall be entitled in every Holiday Year to 12 working days' paid holiday (based on a full-time entitlement of 20 days' per annum). The Executive shall not be entitled to carry forward any unused part of his holiday to the next Holiday Year which holiday entitlement shall be paid in full.

11.2 For the Holiday Year during which the Executive's employment commences or terminates the Executive's holiday entitlement shall accrue pro rata monthly in advance and proportional to the number of days worked during that Holiday Year. Where this calculation results in fractions of days the amount of leave which can be taken is rounded up to the next half day. Any rounded up element is deducted from the leave remaining.

11.3 Save as provided for in clause 11.2 above, the Executive's entitlement to holiday accrues pro rate throughout each holiday year (disregarding fractions of days). The Executive will be deemed to have taken statutory holiday first.

11.4 On the termination of the Executive's employment, the Executive shall be entitled to pay in lieu of accrued but untaken holiday, and will calculate a day's pay on a 1/260th basis.

11.5 If the Executive has taken holiday in excess of his entitlement on termination of employment he will be required to give account for it and the Company will make a deduction from his final salary payment accordingly.

12 INCAPACITY

12.1 If the Executive is absent from work due to Incapacity he shall notify the Company as soon as possible about the nature of his illness and how long he is likely to be absent. If the Incapacity continues for seven or more consecutive days the Executive shall provide a medical practitioner's statement on the eighth day and weekly thereafter. Immediately following the Executive's return to work after a period of absence the Executive shall complete a self-certification form which shall be made available by the Company.

12.2 If the Executive is absent from work due to Incapacity duly notified and certified in accordance with Clause 12.1 the Company shall pay the Executive at his basic rate of salary for the first 3 months of any period of sickness absence, after which the Executive will be paid at 75% of his basic rate of salary for sickness absence up to 6 months, and then 25% of his basic salary for sickness absences up to 12 months. After 12 months sickness absence, the Company will not pay any enhanced sickness pay and the Executive will only be entitled to SSP.

12.3 If the Incapacity shall be occasioned by a third party in respect of which damages are recoverable the Executive shall immediately notify the Board of that fact and of any settlement or judgment made in connection with it and shall give to the Board such particulars and all payments made to the Executive by the Company by way of salary (including any bonus or commission) or sick pay shall to the extent that damages for loss of earnings are recoverable from that third party constitute loans from the Company to the Executive (notwithstanding that as an interim measure income tax and national insurance has been deducted from payments as if they were emoluments of employment) and shall be repaid to the Company when and to the extent that the Executive recovers damages for loss of earnings.

12.4 The remuneration paid under Clause 12.2 shall include any statutory sick pay payable and when this is exhausted shall be reduced by the amount of any state benefits (including state sickness benefit and invalidity benefit) and other benefits recoverable by the Executive (whether or not recovered).

13 CONFIDENTIAL INFORMATION

13.1 The Executive shall not (except in the proper performance of his duties) during or after his employment has ended divulge to any person or otherwise make use of (and shall use his best endeavours to prevent the publication or disclosure of) any trade secret or any confidential information concerning the business or finances of the Company or any Associated Company or any of their dealings transactions or affairs or any trade secret or any such confidential information concerning any of their suppliers, agents, distributors or clients.

13.2 Confidential information includes, but is not limited to: information (whether or not recorded in documentary form, or stored on any magnetic or optical disk or memory) which is not in the public domain relating to the business, products, affairs and finances of the Company or any Group Company for the time being confidential to the Company or any Group Company and trade secrets including, without limitation, technical data and know-how relating to the business of the Company or any Group Company or any of its or their business contacts.

13.3 The restrictions in clauses 13.1 and 13.2 shall not apply to information which:

13.3.1 comes into the public domain otherwise than by a breach by the Executive of his obligations under this Agreement; or

13.3.2 is disclosed to the Executive by a third party who has not received it directly or indirectly from the Company or any Associated Company; or

13.3.3 must be disclosed by any applicable law, to the extent of such required disclosure.

14 DATA PROTECTION

14.1 The Executive acknowledges that the Company will hold personal data relating to the Executive such data will include the Executive's employment application, address, references, bank details, performance appraisals, work, holiday and sickness records, next of kin, salary reviews, remuneration details and other records (which may, where necessary, include sensitive personal data relating to the Executive's health, and data held for equal opportunities purposes). The Company will hold such personal data for personnel administration and management purposes and to comply with the obligations regarding the retention of Executive/worker records. The Executive's right of access to such data is as prescribed by law.

14.2 The Executive hereby undertakes and agrees that the Company may process personal data relating to personnel administration and management purposes, and may, when necessary for those purposes,

make such data available to its advisers, to third parties providing products and/or services to the Company, (such as IT systems suppliers, pensions, benefits and payroll administrators) and as required by law. Further, the Executive hereby agrees that the Company may transfer such data to and from any Associated Company. By signing this Agreement, the Executive expressly consents to the collection, transfer and use of such data in accordance with this Clause 14.

15 INTELLECTUAL PROPERTY

15.1 All Relevant Intellectual Property and all Intellectual Property Rights therein shall to the fullest extent permitted by law and statute belong to, vest in and be the absolute, sole and unencumbered property of the Company or an Associated Company immediately on its coming into existence and the Company or any Associated Company shall be entitled, free of charge, to the exclusive use thereof.

15.2 The Executive hereby:

(a) acknowledges for the purposes of Section 39, Patents Act 1977 that because of the nature of his duties and the particular responsibilities arising from the nature of his duties he has and at all times during his employment will have a special obligation to further the interests of the Business (for the avoidance of doubt limited to the scope of his duties set out in clause 6) and undertakings of the Company and of any Associated Company;

(b) undertakes to notify and disclose to the Company in writing all Relevant Intellectual Property forthwith upon the Production of the same and to keep secret and confidential (before or after termination of the Executive's employment) such Relevant Intellectual Property, and promptly whenever requested by the Company and in any event upon the termination of his employment deliver up to the Company all correspondence and other documents, papers and records, and all copies thereof in his possession, custody and power relating to any Relevant Intellectual Property and the Executive shall sign a declaration of compliance with the terms of this Clause 15.2.2;

(c) undertakes to hold upon trust for the benefit of the Company or any Associated Company any Relevant Intellectual Property and the Intellectual Property Rights therein to the extent the same may not be and until the same are vested absolutely in the Company or any Associated Company;

(d) assigns by way of future assignment all copyright, design rights and other propriety rights (if any) in all Relevant Intellectual Property;

(e) pursuant to Section 77 and the provisions of Chapter IV of Part 1 of the Copyright, Designs and Patents Act 1988, unconditionally and irrevocably waives his rights to be identified as the author of any of the Relevant Intellectual Property in which copyright subsists ("the Work") including any moral rights to the Work and not to have the

Work subjected to derogatory treatment; and this waiver is made expressly in favour of the Company and shall extend to licensees and successors in title to the copyright in the Work;

(f) acknowledges that, save as provided by law, no further remuneration or compensation other than that provided for herein is or may become dice to him in respect of the performance of his obligations under this Clause 15;

(g) undertakes at the expense of the Company to execute all such documents and give such assistance as may reasonably be necessary or desirable to vest in and register or obtain letters or patents in the name of the Company or any Associated Company and otherwise to protect and maintain the Relevant Intellectual Property and the Intellectual Property Rights therein; and

(h) agrees that the Company may, on his behalf, do all such things to vest full right and title to any Relevant Intellectual Property in the Company or as it shall direct and, as regards any third party, the Executive agrees that any such document or act shall be conclusive and binding upon the third party.

15.3 The Executive agrees and understands that rights and obligations under this Clause 15 apply both during the Executive's employment with the Company and after its termination for whatever reason and shall be binding upon the Executive's representatives.

15.4 To the extent that by law any Relevant Intellectual Property or the Intellectual Property Rights therein do not, or are not permitted to, vest in or belong to the Company or any Associated Company the Executive agrees upon the same coming into existence promptly to offer to the Company or any Associated Company in writing a right of first refusal to acquire the same on arm's length terms to be negotiated and agreed between the parties in good faith.

16 RESTRICTIONS DURING EMPLOYMENT

16.1 **Definitions**

In this clause the following words shall have the following meanings:

"Termination Date"

the date on which the employment terminates;

"Relevant Date"

the earlier of the date on which the employment terminates or the date on which notice of termination is given (whether by the Executive or the Company) whichever is the earlier.]

"Person"

includes any company, firm, organisation or other entity;

"Area"

within England, Scotland, Wales, Northern Ireland, the Channel Islands, Isle of Man

"Client"

any Person to whom the Company or an Associated Company supplied goods or services during the 12 months preceding the Relevant Date and with whom at any time during such period the Executive was actively involved in the course of his employment;

"Prospective Client"

any Person with whom the Company or any Associated Company had negotiations or discussions regarding the possible supply of goods or services during the 12 months immediately preceding the Relevant Date and with whom at any time during such period the Executive was actively involved in the course of his employment.

16.2 In order to protect the goodwill, confidential information, trade secrets and business connections of the Company or any Associated Company the Executive covenants with the Company that:

16.2.1 **Non-competition**

the Executive shall not for a period of 6 months from the Relevant Date directly or indirectly be interested or concerned in any business which is carried on in the Area and which:

16.2.1.1 concerns the drug and vaccine delivery business with which the Executive was actively involved at any time during 12 months ending on the Relevant Date; or

16.2.1.2 is competitive or likely to be competitive with the business of the Company or any Associated Company being carried on at the Relevant Date and with which the Executive was actively involved during the 12 months ending on the Relevant Date.

For this purpose, the Executive is concerned in a business if:

16.2.1.3 he carries it on as principal or agent; or

16.2.1.4 he is a partner, director, employee, secondee, consultant or agent in, of or to any Person who carries on the business; or

16.2.1.5 he has any direct or indirect financial interest (as shareholder or otherwise) in any Person who carries on the business.

16.2.2 **Non-solicitation**

the Executive shall not for a period of 12 months from the Relevant Date in the Area directly or indirectly:

16.2.2.1 canvass or solicit business or approach any Clients or Prospective Clients in respect of goods or services similar to those being provided by the Company or any Associated Company as at the Relevant Date;

16.2.2.2 seek to do business or deal with any Clients or Prospective Clients in respect of goods or services similar to those being provided by the Company or any Associated Company as at the Relevant Date; or

16.2.2.3 canvass or solicit business from or make an approach to any supplier of the Company or any Associated Company with whom the Executive was actively involved during the 12 months ending on the Relevant Date to cease to supply, or to restrict or vary the terms of supply to the Company or any Associated Company or otherwise interfere with the relationship between such a supplier and the Company or any Associated Company.

16.2.2.4 accept employment with or act as consultant for any Client.

16.2.3 **Non-poaching**

the Executive shall not for a period of 12 months after the Relevant Date directly or indirectly:

16.2.3.1 induce or attempt to induce any employee of the Company or any Associated Company who is engaged in any business activity carried on by the Company or any Associated Company at the Relevant Date and with whom the Executive during the 12 months ending on the Relevant Date had material dealings in the course of his employment, to leave the employment of the Company or any Associated Company (whether or not this would be a breach of contract by that employee) for the purposes of being involved in or engaged in the types of business referred to in sub-clauses 16.2.1.1 and 16.2.1.2 above; or

16.2.3.2 engage, attempt to engage, employ, attempt to employ or offer employment or work (and in each case whether directly or indirectly, including through an employment agency or other intermediary) to any employee of the Company or any Associated Company who is engaged in any business activity carried on by the Company or any Associated Company at the Relevant Date and with whom the Executive during the 12 months ending on the Relevant Date had material dealings in the course of his employment, for the purposes of being involved in or engaged in the types of business referred to in sub-clauses 16.2.1.1 and 16.2.1.2 above.

16.3 The restrictions in this clause are considered by the parties to be reasonable and the validity of each sub-clause shall not be affected if any of the others is invalid. If any of the restrictions is void but would be valid if some part of the restriction were deleted, the restriction in question shall apply with such modification as may be necessary to make it valid.

16.4 The Executive acknowledges that the provisions of this clause are no more extensive than is reasonable to protect the Company or any Associated Company.

17 SHARE DEALINGS

The Executive shall comply where relevant with every rule of law, every regulation of the UK Listing Authority and/or London Stock Exchange plc and/or AIM or any other market on which the Executive deals and every regulation of the Company in force in relation to dealings in shares, debentures or other securities of the Company or any Associated Company and unpublished price sensitive information affecting the shares, debentures or other securities of any other company, provided always that in relation to overseas dealings the Executive shall also comply with all laws of the state and all regulations of the stock exchange, market or dealing system in which such dealings take place.

18 TERMINATION

18.1 If the Executive:

(a) shall knowingly commit any act of dishonesty relating to the Company, or any Associated Company; or

(b) commits any serious breach or repeats or continues (after warning) any breach of any of his obligations hereunder; or

(c) is guilty of any serious misconduct or any other conduct which in the reasonable opinion of the Company brings the Company or any Associated Company into disrepute or which is likely to affect prejudicially the interests of the Company or any Associated Company; or

(d) shall be prohibited or disqualified by law from holding the office which the Executive holds in the Company or any Associated Company or shall resign from any such office without the prior written consent of the Board; or

(e) is declared bankrupt or enters into any composition or arrangement with or for the benefit of his creditors including a voluntary arrangement under the Insolvency Act 1986; or

(f) is convicted of any arrestable criminal offence (other than an offence under road traffic, health and safety, trade descriptions or environmental legislation for which the Executive is not sentenced to any term of imprisonment whether immediate or suspended)

THEN the Company shall be entitled at its absolute discretion to terminate the Executive's employment immediately without notice or payment in lieu of notice whereupon the Executive shall have no claim against the Company for damages or otherwise by reason only of such termination.

18.2 Upon the termination of the Executive's employment for whatever reason the Executive agrees that:

(a) during any period of notice, the Company may in its absolute discretion require the Executive to perform only such duties as it may allocate to him which are within the scope of his duties in Clause 6 or not to perform any of his duties or to exclude him from any premises of the Group (without providing any reason therefore) and that the Company may require the Executive to stay away from and have no contact with any employees, officers, customers, clients, agents, trade connections or suppliers of the Group provided always that the Executive's entitlement to salary, Success Fees (if any) and all other sums payable to him pursuant to this Agreement shall continue to be paid and provided to the Executive until his employment is terminated; and

(b) at the request of the Company and if applicable, transfer without payment any nominee shares held by the Executive on behalf of the Company and/or any Associated Company to the Company and/or any Associated Company; and in the event of the Executive's failure to do so within seven days of such request the Company may effect such transfers on the Executive's behalf; and

(c) at the request of the Company, immediately deliver to the Company all Relevant Intellectual Property, Confidential Business Information, documents (including copies), keys, credit cards and other property of the Company or any Associated Company in the Executive's possession.

18.3 The termination of the Executive's employment for whatever reason shall not affect those provisions of this Agreement which are expressed to or are otherwise intended to have effect thereafter.

18.4 The Company may suspend the Executive for the purpose of investigating any misconduct alleged against the Executive, which if substantiated would give the Company a right to terminate this Agreement pursuant to Clause 18.1 and, during any such period the Executive shall not. Except with the prior consent in writing of the Board, attend at any premises of the Company or any Associated Company or contact any employee, customer or supplier of the Company or any Associated Company. The Company shall be under no obligation to provide any work for the Executive during such period and the Executive shall, at the request of the Company, immediately deliver to the Company all or any of its property.

18.5 Notwithstanding the termination of this Agreement for whatever reason, the Executive will continue to be entitled to all share options which have been granted to him or to which the Executive is or may become entitled notwithstanding any termination of his employment, subject to the terms of any Share Option Agreement(s) entered into or to be entered into between the Executive and the Company (or any Associated Company) pursuant to this Agreement, and the rules of the relevant share option scheme.

18.6 Upon the termination of the Executive's employment, howsoever arising, the Executive shall have no rights as a result of this Agreement or any alleged breach of this Agreement to any compensation under or in respect of any share option or bonus scheme in which he may participate or have received grants or allocations out of before the Termination Date. Any rights which he may have under such schemes, shall be exclusively governed by the rules of these schemes.

19 GRIEVANCE AND DISCIPLINARY PROCEDURE

19.1 The Executive is referred to the disciplinary and appeals procedure normally operated by the Company from time to time which is available from the Company Secretary.

19.2 The provisions of the Company's disciplinary and appeals procedure are not contractual. The Company may change any of the provisions of the grievance procedure or of a substituted procedure by amendment, additional deletion or by substitution of the new rules or procedures from time to time at its discretion.

19.3 If the Executive is dissatisfied with any disciplinary procedure relating to him he should apply in writing to the Company's Chairman within five working days on the date on which he is notified of the disciplinary decision with which he disagrees.

19.4 If the Executive has a grievance relating to his employment he should, in the first instance, speak to the Company's Chief Executive Officer. If the grievance is not then resolved to his satisfaction, he should refer to the grievance procedure which is available from the Company Secretary.

19.5 The Company reserves the right to suspend the Executive on full pay for the purposes of investigating any allegation of misconduct or breach of this Agreement. During any period of suspension pursuant to this clause the Executive shall not, except with the prior written consent of the Company attend any premises of the Company or any Associated Company, conduct any business on behalf of the Company or any Associated Company or contact any employee or customer of the Company or any Group Company.

20 E-MAIL/INTERNET POLICY

20.1 The Executive shall not send any e-mails of a defamatory, discriminatory or an abusive nature and shall be prohibited from knowingly accessing or downloading any pornographic or other offensive material and the Executive will indemnify the Company during and after his employment against all liability resulting from the Executive's breach of this Clause 23.

20.2 The Company reserves the right to monitor all e-mail/Internet activity by the Executive and the Executive acknowledges that such a right falls within the exception set out in Article 8(2) of the European Convention on Human Rights.

20.3 A breach of this Clause is misconduct and may result in the termination of the Executive's employment pursuant to Clause 18.1 (a).

21 GENERAL

21.1 This Agreement supersedes all other agreements whether written or oral between the Company or any Associated Company and the Executive relating to the employment of the Executive including entitlements to equity, share options, shares and bonuses and the Executive agrees that he is not entering into this Agreement in reliance on any representation not expressly set out herein.

21.2 The Executive warrants that by virtue of entering into this Agreement he will not be in breach of any express or implied terms of any contract with, or of any other obligation to, any third party binding upon the Executive and the Company warrants that prior to executing this Agreement all necessary consents and approvals were obtained and all statutory requirements complied with by it.

21.3 If the employment of the Executive under this Agreement is terminated by reason of the liquidation of the Company for the purpose of reconstruction or amalgamation and the Executive is offered employment with any concern or undertaking resulting from the reconstruction or amalgamation on terms and conditions not less favourable than the terms of this Agreement then the Executive shall have the right in his absolute discretion to accept such offer save for any statutory rights the Executive may have, and whether or not the Executive accepts such an offer he shall have no claim against the Company in respect of the termination of his employment.

21.4 This Agreement may be amended only by written agreement between the parties.

21.5 If any provision of this Agreement shall be unenforceable for any reason but would be enforceable if part of it were deleted, then it shall apply with such deletions as may be necessary to make it enforceable.

22 NOTICES

22.1 Any notice or other communication given or made under this Agreement shall be in writing and delivered to the relevant party or sent by first class post to the address of that party specified in this Agreement or such other address in England as may be notified by that party from time to time for this purpose, and shall be effectual notwithstanding any change of address not so notified.

22.2 Unless the contrary shall be proved each such notice or communication shall be deemed to have been given or made, if by first class prepaid post, 48 hours after posting and, if by delivery, at the time of delivery.

23 CHANGES TO TERMS OF EMPLOYMENT

23.1 The Company reserves the right to make reasonable changes to any of the Executive's terms and conditions of employment with the Executive's prior written consent.

23.2 The Executive shall be notified in writing about any changes proposed under Clause 23.1.

24 GOVERNING LAW

This Agreement shall be governed by and construed in all respects in accordance with English law and the parties agree to submit to the exclusive jurisdiction of the English Courts or English Employment Tribunals as regards any claim or dispute arising in respect of this Agreement.

25 EXECUTION

This Agreement may be executed in two or more counterparts and the counterparts shall together constitute one agreement provided that each party has executed one or more counterparts.

IN WITNESS WHEREOF this Agreement has been executed as a deed on the date set out above.

EXECUTED as a deed (but not delivered until dated) by	)	
LIPOXEN PLC acting by:	)	/s/ M.S. Maguire
	)	M.S. Maguire
		Director/~~Secretary~~
SIGNED as a deed (but not delivered until dated) by	)	
COLIN HILL		/s/ **COLIN HILL**
in the presence of:	)	

Schedule One

Statement Of Particulars Pursuant To The Employment Rights Act 1996

The Executive's period of continued employment commenced on 8 November 2001. A period of employment with a previous employer does not count as part of the Executive's continuous employment with the Company.

The Company's disciplinary and grievance procedures will be supplied to you separately. For the avoidance of doubt any disciplinary or grievance procedure do not form part of the Service Agreement.

The Executive is under no obligation to work overseas for periods exceeding 1 month.

The Company is not a party to any collective agreement which affects the Executive's employment.

Signed as a Deed by **LIPOXEN PLC**
acting by:

Director

Signed as a Deed by **COLIN HILL** /s/ **COLIN HILL**

in the presence of: _____

Witness signature: _____

Name: _____

Address: _____

_____

Occupation: _____

Exhibit 10.03

XENETIC BIOSCIENCE, INCORPORATED

LEDGEMONT RESEARCH CENTER
LEXINGTON, MA

ARTICLE 1: BASIC TERMS

The following terms used in this Lease shall have the meanings set forth below.

Date of Lease:	August 1, 2013
Landlord:	One Ledgemont LLC, a Delaware limited liability company
Tenant:	Xenetic Bioscience, Incorporated [a Delaware corporation]
Building and Property:	The building complex known as Ledgemont Research Center and consisting of the "Richards House," "Building B," "B Annex," "Building C," the "East Wing," the parking garage and other appurtenances thereto located at 128 Spring Street, Lexington, Massachusetts (the "Building" and such parcel of land hereinafter being collectively referred to as the "Property").
Premises:	Portions of the Building consisting of approximately 3,959 rentable square feet located on portion(s) of the 200 Level of Building C, as described in Exhibit A.
Initial Term:	Sixty-One (61) months (plus the partial month, if any, following the Term Commencement Date, defined below).
Extension Term:	One (1) additional term of five (5) Lease Years.
Lease Year:	Each successive 12-month period included in whole or in part in the Term of this Lease; the first Lease Year beginning on the Term Commencement Date and ending at midnight on the first (1st) anniversary of the last day of the Free Rent Period (provided that if the Term Commencement Date is not the first day of a calendar month, the first Lease Year shall end at midnight on the last day of the calendar month which includes the first (1st) anniversary of the last day of the Free Rent Period). If the first (1st) Lease Year of the Term shall be greater than one full calendar year, the Base Rent for such Lease Year shall be increased proportionately to the greater length of such Lease Year.
Term Commencement Date:	The day immediately following the date the Initial Tenant Improvements are Substantially Complete (as defined in Section 11.01). If the Premises are not ready for such occupancy but if, pursuant to permission therefor duly given by Landlord, Tenant takes possession of the whole or any part of the Premises for the conduct of its business, the "Term

	Commencement Date" shall be the date on which Tenant takes such possession. In no event shall the Term Commencement Date occur prior to September 1, 2013.
Target Term Commencement Date:	The date that is sixteen (16) weeks following the Date of Lease.
Rent Commencement Date:	One (1) month after the Term Commencement Date.
Permitted Uses:	General office and laboratory (including research) use to the extent permitted by applicable zoning ordinances and for no other purpose.
Tenant's Pro Rata Share:	2.27% subject to Section 4.06.
Broker[s]:	Cassidy Turley FHO and Newmark Knight Grubb Frank by separate letter agreement between Landlord and Brokers.
Landlord's Managing Agent:	Beal and Company, Inc.
Letter of Credit Amount:	$XXXXXXX
Parking:	As set forth in Section 2.01(d) of the Lease.

Base Rent: Initial Term:

Lease Year	Base Rent	Base Rent Monthly Installment
1	$XXXXXX*	$ XXXXXX*
2	$XXXXXX	$ XXXXXX
3	$XXXXXX	$ XXXXXX
4	$XXXXXX	$ XXXXXX
5	$XXXXXX	$ XXXXXX

* Notwithstanding the Base Rent for the first Lease Year set forth above, so long as Tenant is not in default of this Lease beyond any applicable notice and cure period(s), Tenant shall be entitled to an abatement of the monthly installment of Base Rent (but not Operating Expenses, Taxes or other amounts due hereunder, to the extent same are payable pursuant hereto), or so-called "free rent" period, for the first full month of the Lease Term ("Free Rent Period").

Extension Term: As provided in Section 3.03(b).

Additional Rent: All amounts payable by Tenant under this Lease other than Base Rent, including, without limitation, Tenant's Pro Rata Share of Taxes (Article 5); Utilities (Article 6); Insurance premiums (Article 7); and Operating Expenses (Article 8) (See Section 4.02). Tenant's Pro Rata Share is defined in Section 4.06 hereof.

Original Address of Landlord for Notices:

c/o The Beal Companies, LLP
177 Milk Street
Boston, Massachusetts 02109
Attention: Peter A. Spellios, Senior Vice President

with copies to:

c/o The Beal Companies, LLP
177 Milk Street
Boston, Massachusetts 02109
Attention: Stephen N. Faber, Senior Vice President

- and -

Sherin and Lodgen LLP
101 Federal Street
Boston, Massachusetts 02110
Attention: Robert M. Carney, Esquire

Original Address of Tenant for Notices:

Before Term Commencement Date:	c/o Dr. Henry Hoppe 12303 Main Campus Drive Lexington, Massachusetts, 02421 with copies to: Xenetic Biosciences plc Greener House 66-68 Haymarket London. SW1Y 4RF United Kingdom - and - Saul Ewing LLP 131 Dartmouth Street Boston, Massachusetts 02116 Attention: Dana C. Lanzillo, Esquire
After Term Commencement Date:	Ledgemont Research Center 128 Spring Street Lexington, Massachusetts 02421 with a copy to: Saul Ewing LLP 131 Dartmouth Street Boston, Massachusetts 02116 Attention: Dana C. Lanzillo, Esquire

Exhibits:

Exhibit A:	Floor Plan of the Premises
Exhibit B:	Rules and Regulations
Exhibit C:	Rules and Regulations for Tenant Work
Exhibit D:	Tenant Work Insurance Schedule
Exhibit E:	ROFO Space
Exhibit F:	Construction Documents
Exhibit G:	Environmental Substances
Exhibit H:	Plans and Specifications for Initial Tenant Improvements
Exhibit I:	Intentionally Omitted
Exhibit J:	Intentionally Omitted
Exhibit K:	Form of Term Commencement Date Agreement
Exhibit L:	Form of Letter of Credit

ARTICLE 2: PREMISES AND APPURTENANT RIGHTS

2.1 Lease of Premises; Appurtenant Rights. Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, for the Term, subject to all matters of record and matters referred to below. Subject to Landlord's rules and regulations attached hereto as Exhibit B and such other reasonable rules and regulations as Landlord may from time to time adopt, which are applicable to all office and laboratory tenants of the Building, and of which Tenant is given notice (collectively, "Landlord's Rules") and to Force Majeure (as hereinafter defined), Tenant shall have access to the Premises twenty-four (24) hours a day, seven (7) days a week.

(a) Exclusions. The Premises exclude common areas and facilities of the Property, including, without limitation, exterior faces of exterior walls, the common stairways and stairwells (subject to Tenant's rights to use the stairways for access between portions of the Premises pursuant to Section 2.01(b)), entranceways and the main lobby, elevators and elevator wells, fan rooms, electric and telephone closets, janitor closets, freight elevator vestibules, and pipes, ducts, conduits, wires and appurtenant fixtures serving other parts of the Property (exclusively or in common) and other common areas and facilities from time to time designated as such by Landlord. If the Premises include less than the entire rentable area of any floor, then the Premises also exclude the common corridors, elevator lobby and toilets located on such floor.

(b) Appurtenant Rights. Tenant shall have, as appurtenant to the Premises, the non- exclusive right to use in common with others (subject to Landlord's Rules and Force Majeure) the common areas and facilities of the Property necessary for Tenant's use and occupancy of the Premises, including, without limitation, the loading dock servicing the Premises. Subject to Landlord's Rules and to Force Majeure, Tenant shall have access to the seating area of the common café in the building twenty-four (24) hours a day, seven (7) days a week.

(c) Reservations. In addition to other rights reserved herein or by law, Landlord reserves the right from time to time, provided that Landlord shall use commercially reasonable efforts to avoid unreasonable (except in emergency) interference of Tenant's use of the Premises: (i) to make additions to or reconstructions of the Building and to install, use, maintain, repair, replace and relocate for service to the Premises and other parts of the Building, or either, pipes, ducts, conduits, wires and appurtenant fixtures, wherever located in the Premises, the Building, or elsewhere in the Property; (ii) to alter, eliminate or relocate any other common area or facility, including the drives, lobbies and entrances; and (iii) to grant easements and other rights with respect to the Property. Installations, replacements and relocations within the Premises referred to in clause (i) shall be located as far as practicable in the core areas of the Building, above ceiling surfaces, below floor surfaces or within perimeter walls of the Premises. The Building may be subdivided or combined into separate or unified lots, submitted to or removed from a condominium regime or divided or combined into separate leasehold lots by ground leases to facilitate financing, ownership or operation of all or portions of the Property and Building, provided that Tenant's rights and obligations under this Lease shall not be affected in any material respect. Tenant agrees to enter into any instruments reasonably requested by Landlord in connection with the foregoing so long as the same are not inconsistent with the rights of Tenant under this Lease and are otherwise reasonably acceptable to Tenant.

(d) Parking.

(i) Commencing on the Term Commencement Date, Tenant shall have the appurtenant right to use up to 3.2 unreserved parking spaces for standard size automobiles and small utility vehicles per 1,000 rentable square feet of the Premises, at no additional cost to Tenant. The parking spaces shall be used by Tenant and Tenant's employees and business invitees and may be located on the Property and/or within the Building, and the location of said parking spaces, and the layout and location of the parking facilities, are subject to change from time to time. Tenant's right to use such parking spaces shall be non-exclusive.

(ii) None of Tenant's parking rights hereunder shall be assigned or sublicensed except in connection with a Transfer permitted under Article 13. Landlord shall have the right to make such parking available pursuant to a pass system or on any other reasonable basis determined by Landlord, and such parking rights shall be subject to Landlord's reasonable rules and regulations of which Tenant is provided written notice, from time to time, and the right of Landlord to limit the number of parking spaces available to Tenant, its employees and invitees, where the use of the same exceeds the above-stated ratio. Tenant acknowledges that Landlord has informed Tenant that Landlord intends to allocate in its tenant leases more than the actual parking spaces servicing the Property. It is further acknowledged and agreed that as a consequence of such over-allocation of parking spaces, there may occasionally occur instances in which the number of parking spaces actually available to Tenant shall be less than the Parking Spaces to which Tenant is entitled under this Lease. Landlord shall incur no liability to Tenant as a consequence of such over-allocation of parking spaces. Landlord shall have the right to alter the parking areas or their operation from time to time, and to temporarily close portions thereof for maintenance as necessary. Tenant's parking privileges constitute a license only, and no bailment is intended or shall be created. Neither Landlord nor any parking operator of the parking areas will have any responsibility for loss or damage due to fire or theft or otherwise to any automobile parked in the parking areas or to any personal property therein.

2.2 Right of First Offer.

Provided this Lease is in full force and effect and there is no Event of Default, Tenant shall have the one-time right of first offer to lease the entirety of the space on the 200 level (1st) floor of Building C that is immediately adjacent to the Premises that is shown on Exhibit E as the "ROFO Space" ,subject to and in accordance with the terms and conditions set forth in this Section 2.02. If at any time from and after the Term Commencement Date the ROFO Space shall become available, Landlord shall notify Tenant thereof in writing ("Landlord's ROFO Space Notice"), which notice shall include the anticipated estimated date upon which such ROFO Space shall become available for occupancy by Tenant , the proposed term for the ROFO Space and the economic terms upon which Landlord would be willing to lease the ROFO Space to Tenant. Tenant shall have the right to lease all such ROFO Space described in Landlord's ROFO Space Notice only by giving written notice to Landlord within ten (10) days after Tenant receives Landlord's ROFO Space Notice, time being of the essence. If Tenant so elects to lease the ROFO Space, such ROFO Space shall be leased upon the terms and conditions contained in the Landlord's ROFO Space Notice. To confirm Tenant's election to lease the ROFO Space as set forth above, Landlord shall prepare, and Tenant and Landlord shall promptly execute and deliver, an amendment to this Lease reflecting the terms as set forth in Landlord's ROFO Space Notice. For the purposes hereof, space shall be deemed "available for occupancy" when any lease or occupancy agreement (including extension periods) has expired or is due to expire within not

less than six (6) months, or Landlord has elected not to renew the lease of the present tenant, and any prior options, rights or rights to lease with respect to such ROFO Space have expired or been waived and Landlord is free to lease such space to third parties without restriction.

(b) If Tenant fails to timely exercise any of its rights hereunder, or if Landlord and Tenant are unable to agree upon an amendment to reflect the lease of the ROFO Space, the right(s) granted hereunder as to the ROFO Space shall be deemed waived for all purposes, and Landlord may lease the ROFO Space to any party and upon any terms free of any rights of Tenant. Tenant, following such waiver and within seven (7) days of Landlord's request therefor, shall execute and deliver to Landlord a certification, in recordable form, confirming the waiver of such right, and Tenant's failure to so execute and deliver such certification shall (without limiting Landlord's remedies on account thereof) entitle Landlord to execute and deliver to any third party, and record, an affidavit confirming the waiver, which affidavit shall be binding on Tenant and may be conclusively relied on by third parties.

(c) The foregoing Right of First Offer under this Section 2.02 is personal to and may only be exercised by Xenetic Bioscience, Incorporated, the original named tenant under this Lease, or a transferee resulting from a Related Party Transfer (as defined below) while Xenetic Bioscience, Incorporated or a transferee resulting from a Related Party Transfer occupies the Premises. The foregoing Right of First Offer under this Section 2.02 shall not be exercisable by an assignee under this Lease or sublessee of all or a portion of the Premises except in connection with a Related Transfer.

(d) Tenant understands that its rights under this Section are and shall be subject and subordinate to any extension rights, expansion rights, options to lease or any rights of first negotiation, first offer or first refusal to lease granted to other tenants of the Building prior to the date of execution and delivery of this Lease, or to the terms of any leases, including extension and expansion rights, and the right of Landlord to extend the term of the lease with the tenant of the ROFO Space even if its lease has no such extension right.

ARTICLE 3: LEASE TERM

3.1 Lease Term. Subject to the terms and conditions of this Lease, the Initial Term of this Lease is set forth in Article 1, unless sooner terminated as provided herein. Landlord and Tenant agree to execute a Term Commencement Date Agreement substantially in the form attached hereto as Exhibit K, or as otherwise reasonably requested by Landlord confirming the actual Term Commencement Date and expiration date of the Term, once same are determined.

3.2 Hold Over. If Tenant (or anyone claiming through Tenant) shall remain in occupancy of the Premises or any part thereof after the expiration or early termination of the Term without a written agreement therefor executed and delivered by Landlord, then without limiting Landlord's other rights and remedies the person remaining in possession shall be deemed a tenant at sufferance, and Tenant shall thereafter pay monthly rent (pro rated for such portion of any partial month as Tenant shall remain in possession) at a rate equal to the greater of (a) one and one-quarter times the market rent then being quoted by Landlord for the Premises or reasonably comparable space in the Building, or (b) one and one-half (1 1/2) times the amount payable as Base Rent for the twelve (12) month period immediately preceding such expiration or termination, and in either case with all Additional Rent also payable as provided in this Lease. After Landlord's acceptance of the full amount of such

rent for the first month of such holding over, the person remaining in possession shall be deemed a tenant at will at such rent and otherwise subject to all of the provisions of this Lease. Notwithstanding the foregoing, if Landlord desires to regain possession of the Premises promptly after the termination or expiration hereof and prior to acceptance of rent for any period thereafter, Landlord may, at its option, forthwith re-enter and take possession of the Premises or any part thereof without process or by any legal process in force in the state where the Property is located. In any case, Tenant shall be liable to Landlord for all damages resulting from any failure by Tenant to vacate the Premises or any portion thereof when required hereunder.

3.3 Right to Extend.

(a) Extension Term. The Term of this Lease of all of the Premises may be extended for the Extension Term by unconditional written notice from Tenant to Landlord at least nine (9) (but not more than twelve (12)) months before the end of the Initial Term, time being of the essence. If Tenant does not timely exercise this option, or if on the date of such notice or at the beginning of the Extension Term (i) a default by Tenant exists, or (ii) Tenant is not leasing one hundred percent (100%) of the Premises, or (iii) Tenant has made any Transfer under Article 13 (other than a Related Party Transfer), at Landlord's option upon written notice to Tenant, Tenant's right to extend the Term of this Lease shall irrevocably lapse and be void and of no further force and effect, Tenant shall have no further right to extend, and this Lease shall expire at the end of the Initial Term. If Tenant fails to timely exercise its rights hereunder, then within seven (7) days of Landlord's request therefor, Tenant shall execute and deliver to Landlord a certification, in recordable form, confirming the Tenant's failure to exercise (or waiver of) such right, and Tenant's failure to so execute and deliver such certification shall (without limiting Landlord's remedies on account thereof) entitle Landlord to execute and deliver to any third party, and record, an affidavit confirming the failure or waiver, which affidavit shall be binding on Tenant and may be conclusively relied on by third parties. All references to the Term shall mean the [Initial] Term as it may be extended by the Extension Term. The Extension Term shall be on all the same terms and conditions except that the Base Rent for the Extension Term shall be as set forth below.

(b) Extension Term Base Rent. Base Rent for each year of the Extension Term shall be established as the higher of (x) one hundred percent (100%) of the Market Rent (as defined in Section 3.03(c)) or (y) the Base Rent last in effect for the last Lease Year prior to the Extension Term. If Tenant gives Landlord timely notice of its exercise of the Extension Term option, then Landlord shall give Tenant written notice of Landlord's determination of Market Rent for the Premises for the Extension Term no later than ninety (90) days prior to the expiration of the Initial Term. Within ten (10) business days after Tenant receives such notice, Tenant shall notify Landlord of its agreement with or objection to Landlord's determination of the Market Rent, whereupon in the case of Tenant's objection, Market Rent shall be determined by arbitration conducted in the manner set forth below. If Tenant does not notify Landlord within such ten (10) business day period of Tenant's agreement with or objection to Landlord's determination of the Market Rent, then the Market Rent for the Extension Term shall be conclusively deemed to be Landlord's determination of the Market Rent as set forth in Landlord's notice to Tenant.

(c) Arbitration of Market Rent. If Tenant timely notifies Landlord of Tenant's objection to Landlord's determination of Market Rent under the preceding subsection with respect to the Extension Term, such notice shall also set forth a request for arbitration and Tenant's appointment of a commercial real estate appraiser (an "Arbitrator"). Within five (5) business days thereafter,

Landlord shall by notice to Tenant appoint a second Arbitrator. Each Arbitrator shall determine the Market Rent for the Extension Term within thirty (30) days after Landlord's appointment of the second Arbitrator. On or before the expiration of such thirty (30) day period, the two Arbitrators shall confer to compare their respective determinations of the Market Rent. If the difference between the amounts so determined by the two (2) Arbitrators is less than or equal to ten percent (10%) of the lower of said amounts then the final determination of the Market Rent shall be equal to the arithmetical average of said amounts. If such difference between said amounts is greater than ten percent (10%), then the two arbitrators shall within ten (10) days thereafter to appoint a similarly qualified third Arbitrator ("Third Arbitrator"), who shall determine the Market Rent for the Extension Term within ten (10) days after his or her appointment by selecting one or the other of the amounts determined by the other two (2) Arbitrators. Each party shall bear the cost of the Arbitrator selected by such party. The cost for the Third Arbitrator, if any, shall be shared equally by Landlord and Tenant. All Arbitrators appointed hereunder shall be MAI appraisers, so-called, knowledgeable in the field of commercial real estate and experienced in the market in which the Building is located. The foregoing determination shall be conclusive, final and binding on the parties and enforceable in any court having jurisdiction over the parties.

(d) "Market Rent" shall be the fair market rent that willing parties would pay and receive as the Base Rent to lease similar space in the Building and similar space in similar buildings in the same geographic area, during the Extension Term and under the applicable terms and conditions of this Lease (and other relevant market factors).

(e) Rent Continuation. For any part of the Extension Term during which the Base Rent is in dispute or has otherwise not finally been determined, Tenant shall make payment on account of Base Rent at the Market Rent estimated by Landlord, and the parties shall adjust for any overpayments or underpayments upon the final determination of Base Rent. The failure by the parties to complete the process contemplated under this Section prior to commencement of the Extension Term shall not affect the continuation of the Term or the parties' obligation to make any adjustments for any overpayments or underpayments for the Base Rent due for the Extension Term promptly after the determination thereof is made.

ARTICLE 4: RENT

4.1 Base Rent. On the Rent Commencement Date and thereafter on the first day of each month during the Term, Tenant shall pay Landlord the monthly installment of Base Rent and the monthly installments of Tenant's Pro Rata Share of Total Operating Costs and Tenant's Pro Rata Share of Taxes required by Section 4.02, in each case in advance. Rent shall be payable at Landlord's address or otherwise as Landlord may designate in writing from time to time.

4.2 Additional Rent.

(a) General. "Rent" means Base Rent and Additional Rent. Landlord shall estimate in advance (i) all Taxes under Article 5, (ii) all utility costs (unless separately metered to or separately contracted for by Tenant) under Article 6, (iii) all insurance premiums to be paid by Landlord under Article 7 and (iv) all Operating Expenses under Section 8.04 (individually, all such items in clauses (i) through (iv) being "Operating Costs" and collectively, being "Total Operating Costs") and Tenant shall pay one-twelfth (1/12th) of Tenant's Pro Rata Share of such estimated Total Operating Costs monthly in advance together with Base Rent. Landlord may adjust its estimates of Total Operating

Costs at any time based upon its experience and reasonable anticipation of costs. Such adjustments shall be effective as of the next Rent payment date after notice to Tenant. Within one hundred twenty (120) days after the end of each fiscal year of the Property during the Term, Landlord shall deliver to Tenant a reasonably detailed statement of the Total Operating Costs paid or incurred by Landlord during the preceding fiscal year and Tenant's Pro Rata Share of such expenses (the "Total Operating Costs Statement"). Within the next thirty (30) days, Tenant shall pay Landlord any underpayment, or Landlord shall credit Tenant with any overpayment, of Tenant's Pro Rata Share of such Total Operating Costs. If the Term expires or the Lease is terminated as of a date other than the last day of a fiscal year, Tenant's payment of Additional Rent pursuant to this Section for such partial fiscal year shall be based on Landlord's reasonable estimate of the items otherwise includable in Total Operating Costs and shall be made on or before the later of (x) ten (10) days after Landlord delivers such estimate to Tenant or (y) the last day of the Term, with an appropriate payment or refund to be made upon Tenant's receipt of Landlord's statement of Total Operating Costs for such fiscal year. This Section shall survive the expiration or earlier termination of the Term.

(b) Audit. Provided no Event of Default then exists and subject to the following provisions, Tenant shall have the right to inspect, at reasonable times and in a reasonable manner, provided Landlord receives Tenant's written request therefor within the thirty (30) day period following the delivery of the Total Operating Costs Statement (the "Audit Notice"), such of Landlord's books of account and records as pertain to and contain information concerning such Operating Costs in order to verify the amounts thereof. Tenant agrees that any information obtained during an inspection by Tenant of Landlord's books of account and records shall be kept in confidence by Tenant and its agents and employees and shall not be disclosed to any other parties, except to Tenant's attorneys, accountants and other consultants. If Tenant shall not deliver an Audit Notice within thirty (30) days after the Total Operating Costs Statement for such year was delivered to Tenant, Tenant shall be deemed to have approved such Statement. Tenant's inspection shall be conducted within thirty (30) days after Landlord's receipt of the Audit Notice where Landlord maintains its books and records, and it shall take place only during Landlord's normal business hours. Landlord agrees to provide such access to its books and records reasonably promptly following Landlord's receipt of an Audit Notice. Tenant may conduct only one such inspection for each fiscal year of the Property during the Term. No subtenant shall have any right to conduct a review, and no assignee shall conduct a review for any period during which such assignee was not in possession of the Premises. Within thirty (30) days after such inspection Tenant shall provide written notice to Landlord of the results of such inspection. If as a result of such inspection it is mutually agreed, or if it is ultimately determined, that an error was made in Tenant's Pro Rata Share of Total Operating Costs paid by Tenant, then Tenant shall pay Landlord any underpayment within thirty (30) days of such determination, or Landlord shall credit Tenant with any overpayment, of Tenant's Pro Rata Share of such Total Operating Costs, within thirty (30) days after notification thereof. For the purpose of conducting such inspection, Tenant shall retain an independent firm of certified public accountants or a qualified real estate professional having at least 10 years of relevant audit experience, which is mutually acceptable to Tenant and Landlord, and which shall not be compensated on a contingency fee basis or in any other manner which is dependent upon the results of such inspection. The cost of such audit shall be paid by Tenant unless the final result of such audit shall indicate an overstatement of more than 10%, in which case the cost of such audit, up to a maximum amount of $1,000, shall be paid for by Landlord within thirty (30) days after its receipt of paid invoices therefor from Tenant.

(c) Allocation of Certain Operating Costs; Gross Up. If at any time during the Term Landlord provides services only with respect to particular portions of the Building that include the Premises or incurs other Operating Costs allocable to particular portions of the Building that include the Premises alone, then such Operating Costs shall be charged entirely to those tenants, including Tenant, if applicable, of such portions, notwithstanding the provisions hereof referring to Tenant's Pro Rata Share. If, during any period for which Landlord's Operating Costs are being computed, less than all of the Building is occupied by tenants, or if Landlord is not supplying all tenants with the services being supplied hereunder, Operating Costs that vary with occupancy shall be reasonably estimated and extrapolated by Landlord to determine the Operating Costs that would have been incurred if the Building were fully occupied for such year and such services were being supplied to all tenants, and such estimated and extrapolated amount shall be deemed to be the Operating Costs for such period. Landlord shall make a reasonable allocation of any Operating Costs incurred jointly for the Property and any other property.

(d) This Lease requires Tenant to pay directly to suppliers, vendors, carriers, contractors, etc., certain insurance premiums, utility costs, personal property taxes, maintenance and repair costs and other expenses. If Landlord pays any of these amounts in accordance with this Lease, Tenant shall reimburse such costs in full with the next monthly Rent payment. Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due on or before the date for the next monthly Rent payment.

4.3 Late Charge. Tenant acknowledges that if it pays Rent late, Landlord shall incur unanticipated costs, which shall be extremely difficult to ascertain exactly. Such costs include processing and accounting charges, and late charges that may be imposed on Landlord by any mortgage on the Property. Accordingly, if Landlord does not receive any Rent payment within five (5) days following its due date more than once in any consecutive twelve (12) month period, then upon the second (2nd) later payment received by Landlord more than five (5) days following its due date within such twelve (12) month consecutive period, Tenant shall pay Landlord a late charge equal to ten percent (10%) of the overdue amount. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord shall incur by reason of Tenant's payment default. Payment of the late charge shall not cure Tenant's payment default or prevent Landlord from exercising other rights and remedies.

4.4 Interest. Any late Rent shall bear interest from the date due until paid at the rate equal to the Prime Rate plus four percent (4%) per annum except to the extent such interest would cause the total interest to be in excess of that legally permitted. The "Prime Rate" shall mean the prime lending rate per annum published in the Wall Street Journal from time to time. Payment of interest shall not cure Tenant's payment default or prevent Landlord from exercising other rights and remedies.

4.5 Method of Payment. Tenant shall pay the Base Rent to Landlord in advance in equal monthly installments by the first of each calendar month during the Term. Tenant shall make a pro rata payment of Base Rent and Additional Rent for any period of less than a month at the beginning or end of the Term. All payments of Base Rent, Additional Rent and other sums due shall be paid in current U.S. exchange by check drawn on a clearinghouse bank at the Original Address of Landlord or such other place as Landlord may from time to time direct (or if requested by Landlord in the case of Base Rent, by electronic fund transfer), without demand, set-off or other deduction. Without limiting the foregoing, Tenant's obligation to pay Rent shall be absolute, unconditional, and independent and shall not be discharged or otherwise affected by any law or regulation now or

hereafter applicable to the Premises, or any other restriction on Tenant's use, or, except as expressly provided in herein, any casualty or taking, or any failure by Landlord to perform or other occurrence; and Tenant assumes the risk of the foregoing and waives all rights now or hereafter existing to quit or surrender this Lease or the Premises or any part thereof, or to assert any defense in the nature of constructive eviction to any action seeking to recover Rent unless such failure or occurrence (a) shall have been occasioned by the negligence of the Landlord, its agents, servants or employees and (b) shall not, after notice to Landlord of the condition claimed to constitute negligence, have been cured or corrected within a reasonable time after such notice has been received by Landlord; and in case of a claim of eviction unless such damage or defective condition shall have rendered the Premises untenantable and they shall not have been made tenantable by Landlord within a reasonable time. It is intended that Base Rent payable hereunder shall be a net return to Landlord throughout the Term, free of expense, charge, offset, diminution or other deduction whatsoever on account of the Premises (excepting Landlord's financing expenses, federal and state income taxes of general application, and those expenses that this Lease expressly makes the responsibility of Landlord), and all provisions hereof shall be construed in terms of such intent.

4.6 Tenant's Pro Rata Share.

(a) Tenant's Pro Rata Share of Taxes is equal to the product of the rentable square footage of the Premises multiplied by Landlord's PSF Taxes (hereafter defined) for each fiscal year, or ratable portion thereof, included in the Term. "Landlord's PSF Taxes" shall mean the Taxes (as defined in Section 5.02) divided by the rentable square footage of the Building, as same may be adjusted by Landlord from time to time for a remeasurement of or changes in the physical size of the Premises, the Building and/or the Project (as defined below), whether such changes in size are due to an addition to or a sale or conveyance of a portion of the Building, the Project or otherwise. As of the date hereof, the rentable floor area of the Building is conclusively deemed to be 174,614 rentable square feet.

(b) Tenant's Pro Rata Share of Operating Expenses, utilities and insurance is equal to the product of the rentable square footage of the Premises multiplied by Landlord's PSF Operating Expenses (hereafter defined) for each calendar year, or ratable portion thereof, included in the Term. "Landlord's PSF Operating Expenses" shall mean Operating Expenses (as defined in Section 8.01), utilities and insurance costs divided by the rentable square footage of the Building or the portion thereof with respect to which such Operating Expenses, utilities and insurance costs are determined.

(c) Tenant's Pro Rata Share shall be the percentage set forth in Article 1, which percentage has been determined by dividing the total number of rentable square feet in the Premises by the total number of rentable square feet in the Building, and multiplying the resulting quotient by one hundred (100). As of the date hereof, the rentable floor area of the Premises is as set forth in Article 1 and the Building is conclusively deemed to be 174,614 rentable square feet. The rentable square footage of the Building may be adjusted by Landlord from time to time for a remeasurement of or changes in the physical size of the Premises, the Building and/or the Project (as defined below), whether such changes in size are due to an addition to or a sale or conveyance of a portion of the Building, the Project or otherwise. Without limiting the generality of the foregoing, Landlord may equitably adjust Tenant's Pro Rata Share upon Tenant's use of the Utility Services as reasonably estimated and equitably determined by Landlord based upon factors such as the intensity of use of such Utility Services by Tenant such that Tenant shall pay the portion of such charges reasonably consistent with Tenant's use thereof. Landlord shall provide to Tenant evidence reasonably substantiating Landlord's equitable determination of any adjustment to Tenant's Pro Rata Share of Utility Services.

ARTICLE 5: TAXES

5.1 Taxes. Tenant covenants and agrees to pay to Landlord as Additional Rent Tenant's Pro Rata Share of the Taxes for each fiscal tax period, or ratable portion thereof, included in the Lease Term. If Landlord receives a refund of any such Taxes, Landlord shall pay Tenant Tenant's Pro Rata Share of the refund after deducting Landlord's costs and expenses incurred in obtaining the refund. Tenant shall make estimated payments on account of Taxes in monthly installments on the first day of each month, in amounts reasonably estimated from time to time by Landlord pursuant to Section 4.02(a).

5.2 Definition of "Taxes." "Taxes" means all taxes, assessments, betterments, excises, user fees and all other governmental charges and fees of any kind or nature, or impositions or agreed payments in lieu thereof or voluntary payments made in connection with the provision of governmental services or improvements of benefit to the Building or the Property (including any so-called linkage, impact, or voluntary betterment payments), and all penalties and interest thereon (if due to Tenant's failure to make timely payments), assessed or imposed against the Premises or the property of which the Premises are a part (including, without limitation, any personal property taxes levied on such property or on fixtures or equipment used in connection therewith), other than a federal or state income tax of general application. If during the Term the present system of ad valorem taxation of property shall be changed so that, in lieu of or in addition to the whole or any part of such ad valorem tax there shall be assessed, levied or imposed on such property or Premises or on Landlord any kind or nature of federal, state, county, municipal or other governmental capital levy, income, sales, franchise, excise or similar tax, assessment, levy, charge or fee (as distinct from the federal and state income tax in effect on the Date of Lease) measured by or based in whole or in part upon Building valuation, mortgage valuation, rents, services or any other incidents, benefits or measures of real property or real property operations, then any and all of such taxes, assessments, levies, charges and fees shall be included within the term of Taxes. Taxes shall also include expenses, including fees of attorneys, appraisers and other consultants, incurred in connection with any efforts to obtain abatements or reduction or to assure maintenance of Taxes for any year wholly or partially included in the Term, whether or not successful and whether or not such efforts involved filing of actual abatement applications or initiation of formal proceedings.

5.3 Personal Property Taxes. Tenant shall pay directly all taxes charged against Tenant Property (as defined in Section 10.06). Tenant shall use its best efforts to have personal property taxed separately from the Property. Landlord shall notify Tenant if any of Tenant's personal property is taxed with the Property, and Tenant shall pay such taxes to Landlord within fifteen (15) days of such notice.

ARTICLE 6: UTILITIES AND LANDLORD SERVICES

6.1 Utility Services. Tenant shall provide and pay all charges and deposits for gas, water, sewer, electricity, and other energy, utilities and services used or consumed on the Premises ("Utility Services") during the Term which now or hereafter separately serve the Premises, or are not expressly to be provided by Landlord elsewhere hereunder. If such Utility Services are not separately metered, Tenant shall pay the cost of the same as part of the Operating Costs payable

hereunder. It is understood and agreed that except as may be expressly provided hereunder, Landlord shall be under no obligation whatsoever to furnish any such services to the Premises, and shall not be liable for (nor suffer any reduction in any rent on account of) any interruption or failure in the supply of the same except as expressly set forth in Section 6.04 below. If the Premises are not separately metered, Landlord reserves the right, at any time during the Term, to install a monitor or check meter to measure Tenant's consumption of any Utility Services, in which event Landlord shall calculate the applicable Utility Services based on Tenant's actual usage thereof, rather than as otherwise provided herein. To the extent permitted by law, Landlord shall have the right at any time and from time to time during the Term to contract for or purchase one or more Utility Services from any company or third-party providing Utility Services ("Utility Service Provider"). Tenant agrees reasonably to cooperate with Landlord and the Utility Service Providers and at all times as reasonably necessary, and on reasonable advance notice, shall allow Landlord and the Utility Service Providers reasonable access to any utility lines, equipment, feeders, risers, fixtures, wiring and any other such machinery or personal property within the Premises and associated with the delivery of Utility Services.

6.2 Landlord Services. Landlord agrees to furnish reasonable heat and air conditioning (HVAC) to the Premises and to common hallways and lavatories, if any, during normal business hours on regular business days during the heating or air conditioning season, as applicable, to light common passageways twenty-four (24) hours a day, to provide hot water to common lavatories, and to clean common areas, common area glass, common lavatories and glass main entry doorways to the Premises Mondays through Fridays, in substantially the same fashion as is typical for comparable first class office and laboratory projects in the Lexington area, subject to interruption due to accident, to the making of repairs, alterations or improvements, to labor difficulties, to trouble in obtaining fuel, electricity, service or supplies from the sources from which they are usually obtained for such Building, governmental restraints, or to any cause beyond the Landlord's control. In no event shall Landlord be liable for any interruption or delay in any of the above services for any of such causes. For the purposes of this clause, reasonable heating of common areas shall be provided between the hours of 8:00 a.m. to 6:00 p.m. Monday through Friday and 8:00 a.m. to 1:00 p.m. on Saturday during the months from November through April (holidays excepted). Reasonable cooling of common areas shall be provided between the hours of 8:00 a.m. and 6:00 p.m. Monday through Friday and 8:00 a.m. to 12:00 p.m. on Saturday during the cooling season (holidays excepted). If Tenant requests Landlord to provide additional heat or air conditioning outside of such hours, Tenant shall pay therefor (within fifteen (15) days after billing) at commercially reasonable rates established by Landlord from time to time comparable to those charged in comparable office and laboratory projects in the Lexington area.

6.3 Excess Usage by Tenant. Tenant shall not introduce to the Premises personnel, fixtures or equipment which (individually or in the aggregate) exceed those used by the average Building tenant or overload the capacity of the electrical, heating, ventilating and air conditioning, mechanical, plumbing or other utility systems serving the Premises or generate above average heat, noise or vibration at the Premises. If Tenant uses the Premises or installs fixtures or equipment in such a manner as would so overload said systems, as reasonably determined by Landlord, then, in addition to any other remedies Landlord may have, Tenant shall pay, as additional rent, within ten (10) days of billing therefor, the cost of providing and installing any additional equipment, facilities or services that may be required as a result thereof, and for any repairs or damage resulting therefrom.

6.4 Interruption of Services. Notwithstanding anything contained in this Lease to the contrary, Tenant shall be entitled to a proportionate abatement of Base Rent in the event of a Landlord Service Interruption (as defined below). For the purposes hereof, a "Landlord Service Interruption" shall occur in the event (i) the Premises shall lack any service which Landlord is required to provide hereunder thereby rendering the Premises or a material portion thereof untenantable for the entirety of the Landlord Service Interruption Cure Period (as defined below), (ii) such lack of service was not caused by Tenant, its employees, contractors, invitees or agents; (iii) Tenant in fact ceases to use the entire or affected portion of the Premises for the entirety of the Landlord Service Interruption Cure Period; and (iii) such interruption of service was the result of causes, events or circumstances within the Landlord's reasonable control and the cure of such interruption is within Landlord's reasonable control. For the purposes hereof, the "Landlord Service Interruption Cure Period" shall be defined as ten (10) consecutive calendar days after Landlord's receipt of written notice from Tenant of the Landlord Service Interruption.

ARTICLE 7: INSURANCE

7.1 Coverages. Tenant shall, at its own expense, maintain and keep in force, or cause to be maintained and kept in force by any general contractors, sub-contractors or third party entities where required by contract, throughout the term of this Lease and/or alteration or construction period and for such longer period, if any, Tenant remains in occupancy of the Premises, the following insurance coverages:

(a) Property Insurance. "All-Risk" or "Special" Form property insurance, and/or Builders Risk coverage for renovation projects, including, without limitation, coverage for fire, earthquake and flood; boiler and machinery (if applicable); sprinkler damage; vandalism; malicious mischief coverage on all equipment, furniture, fixtures, fittings, Initial Tenant Improvements, Tenant Work, Tenant Property or other improvements and betterments, business income, extra expense, merchandise, inventory/stock, contents, and personal property located on or in the Premises. Such insurance shall be in an amount equal to the full replacement cost of the aggregate of the foregoing and shall provide coverage comparable to the coverage in the standard ISO "All-Risk" or "Special" Form, when such coverage is supplemented with the coverages required above. Property policy shall also include coverage for plate glass, where required by written contract.

(b) Liability Insurance. Commercial General Liability insurance against any and all claims for personal injury, death or property damage occurring in, or about the Premises and arising out of Tenant's operations on the Premises, or Tenant's agents', invitees', sublessees' use or occupancy of the Premises. Such insurance shall have a limit of not less than One Million Dollars ($1,000,000) per occurrence with a Two Million Dollar ($2,000,000) aggregate limit. Such insurance shall contain an extended (broad form) liability endorsement, including contractual liability coverage (including this Lease, and Tenant's indemnity obligations hereunder). Such liability insurance shall be primary and not contributing to any insurance available to Landlord, and Landlord's insurance (if any) shall be in excess thereto. Tenant's commercial general liability insurance policy shall include Landlord, Landlord's Management Agent, Landlord's mortgagees and Landlord's designees as additional insureds, provided that Tenant has been given notice and sufficient information regarding such mortgagees and designees as necessary to name them as additional insureds, and shall provide that such parties may, although additional insureds, recover for any loss suffered by Tenant's negligence.

(c) Umbrella/Excess Liability Insurance. The foregoing liability limits shall be adequate as long as Tenant maintains an Umbrella policy limit of not less than Three Million Dollars ($3,000,000) per occurrence. Should Tenant not maintain an Umbrella policy with such limits, then the limits of the underlying Commercial General Liability policy shall be increased to Two Million Dollars ($2,000,000) per occurrence and Four Million Dollars ($4,000,000) aggregate.

(d) Other. Such other insurance as Landlord may reasonably require, from time to time, and as may be required by law, including, without limitation (i) workers' compensation insurance with a limit of liability as required by law to be maintained; (ii) employer's liability insurance with a minimum limit of coverage of Two Million Dollars ($2,000,000); and (iii) business interruption and extra expense insurance coverage(s) satisfactory to Landlord.

(e) Form of the Policies. Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms hereof in a blanket policy, provided such policy expressly affords coverage to the Premises and to Landlord as required by this Lease.

(f) Failure by Tenant to Obtain Insurance. If Tenant does not procure the insurance required pursuant to this Section, or keep the same in full force and effect, Landlord may, but shall not be obligated to, take out the necessary insurance and pay the premium therefor after notice thereof to Tenant, and Tenant shall repay to Landlord, as additional rent, the amount so paid promptly upon demand. In addition, Landlord may recover from Tenant, as additional rent, any and all reasonable expenses (including attorneys' fees) and damages which Landlord may sustain by reason of the failure by Tenant to obtain and maintain such insurance, it being expressly declared that the expenses and damages of Landlord shall not be limited to the amount of the premiums thereon.

(g) Contractor Insurance. Tenant shall cause all contractors and subcontractors to maintain during any period of Tenant Work (including the Initial Tenant Improvements) the insurance described on Exhibit D attached hereto.

(h) Deductibles. Tenant's insurance policies shall not include deductibles in excess of Five Thousand Dollars ($5,000) without Landlord's prior written consent. If any of the above insurances have deductibles or self insured retentions, the Tenant and/or contractor (policy Named Insured) shall be responsible for the deductible amount.

(i) General Requirements. All of the insurance policies required in this Section ("Insurance Requirements") shall be written by insurance companies which are licensed to do business in the state where the Property is located, or obtained through a duly authorized surplus lines insurance agent or otherwise in conformity with the laws of such state, with an A.M. Best rating of at least "A" and a financial size category of not less than "VII". The liability policy(ies) shall name, as additional insureds, Landlord, Landlord's Management Agent, Landlord's mortgagees and Landlord's designees, provided that Tenant has been given notice and sufficient information regarding such mortgagees and designees as necessary to name them as additional insureds, and provide thirty (30) days notice of cancellation, non-renewal, or material change in the terms and conditions of coverage to the extent the requirement to provide such notice is obtainable from the insurance companies. Tenant shall provide Landlord with certificates of insurance upon request, prior to move-in date, prior to commencement of the Tenant/contractor work, or within thirty (30) days of coverage inception and subsequent renewals or rewrites/replacements of any cancelled/non-renewed policies.

7.2 Avoid Action Increasing Rates. Tenant shall comply with Sections 9.01, 9.02, 9.03 and 9.04 and in addition shall not, directly or indirectly, use the Premises in any way that is prohibited by law or dangerous to people or property or that may jeopardize or increase the cost of any insurance coverage or require additional insurance. Tenant shall cure any breach of this Section within ten (10) days after notice from Landlord (or Tenant's independent knowledge of such breach) by (i) stopping any use that jeopardizes any insurance coverage or increases its cost and (ii) paying the increased cost of insurance. Tenant shall have no further notice or cure right under Article 14 for any such breach. Tenant shall reimburse Landlord for all of Landlord's costs incurred in providing any insurance that is attributable to any special endorsement or increase in premium resulting from the business or operations of Tenant, and any special or extraordinary risks or hazards resulting therefrom, including, without limitation, any risks or hazards associated with the generation, storage and disposal of Environmental Substances.

7.3 Waiver of Subrogation. Landlord and Tenant each waive any and every claim for recovery from the other for any and all loss of or damage to the Property or any part of it, or to any of its contents, which loss or damage is covered by valid and collectible property insurance. Landlord waives any and every such claim against Tenant that would have been covered had the insurance policies required to be maintained by Landlord by this Lease been in force, to the extent that such loss or damage would have been recoverable under such policies. Tenant waives any and every such claim against Landlord that would have been covered had the insurance policies required to be maintained by Tenant under this Lease been in force, to the extent that such loss or damage would have been recoverable under such policies. This mutual waiver precludes the assignment of any such claim by subrogation (or otherwise) to an insurance company (or any other person), and Landlord and Tenant each agree to give written notice of this waiver to each insurance company that has issued or shall issue any property insurance policy to it, and to have the policy properly endorsed, if necessary, to prevent invalidation of the insurance coverage because of this waiver.

7.4 Landlord's Insurance. Landlord shall purchase and maintain during the Term with insurance companies qualified to do business in the state where the Property is located insurance that shall include the following: (i) commercial general liability insurance for incidents occurring in the common areas, with coverage for premises/operations, personal and advertising injury, products/completed operations and contractual liability for bodily injury and property damage per occurrence, together with such other coverages and risks as Landlord shall reasonably decide or a mortgagee may require; (ii) property insurance covering property damage to the Building, excluding the Initial Tenant Improvements and any other Tenant Work, and loss of rental income, for full replacement cost value of the Building with co-insurance waived by inclusion of an agreed amount endorsement; and (iii) such other coverage(s) as may be required by Landlord's mortgagee or otherwise be deemed commercially reasonable by Landlord. As set forth in Section 4.02, the cost thereof shall be borne by Tenant and other tenants.

ARTICLE 8: OPERATING EXPENSES

8.1 Operating Expenses.

(a) "Operating Expenses" shall mean all costs and expenses associated with the ownership, operation, management, maintenance and repair of the Building and Property and of all heating, ventilating, air conditioning, plumbing, electrical, utility and safety systems for the Building. "Common Elements" shall mean all areas in the Building available for the common use of tenants of the Building and not leased or held for the exclusive use of Tenant or other tenants, including, but not limited to, the common café and common parking areas, driveways, sidewalks, access roads, plazas, landscaping and planted areas located in the Building or on the Property. Operating Expenses include, without limitation, the costs and expenses incurred in connection with the following: compliance with Landlord's obligations under Section 10.03; planting and landscaping; snow plowing and removal; utility, water and sewage services; maintenance of signs; supplies, materials and equipment purchased or rented, total wage and salary costs paid to all persons at or below the grade of building manager who are employed on a fulltime basis, and an appropriate portion of same with respect to employees on a part-time basis, and all contract payments made on account of, all persons engaged in the operation, maintenance, security, cleaning and repair of the Property and Common Elements, including Social Security, old age and unemployment taxes and so-called "fringe benefits"; services generally furnished to tenants of the Building; maintenance, repair and replacement of Building and Common Elements equipment and components; utilities consumed and expenses incurred in the operation, maintenance and repair of the Property and Common Elements; costs incurred under any reciprocal easement agreements benefiting the Property; costs incurred by Landlord to comply with the terms and conditions of any governmental approvals affecting operations of the Property; the amortized portion, properly attributable to the year in question, of the cost, with interest thereon at a rate reasonably determined by Landlord, of any capital repairs, improvements or replacements made to the Property, by Landlord; workers' compensation insurance and property, liability and other insurance premiums; personal property taxes; rental or lease payments paid by Landlord for rented or leased personal property used in the operation or maintenance of the Property and Common Elements; fees for required licenses and permits; losses or subsidies paid or incurred by Landlord in operating the common café; routine maintenance and repair of parking areas and paving (including sweeping, striping, repairing, resurfacing, and repaving); refuse removal; security; reasonable reserves, including for roof replacement and exterior painting; and property management fees at a commercially reasonably market rate not to exceed five percent (5%) of gross revenue derived from the Property. Operating Expenses shall also include the Building's share (as reasonably determined and allocated by Landlord) of: (i) the costs incurred by Landlord in operating, maintaining, repairing, insuring and paying real estate taxes upon any common facilities of the office park or development (including, without limitation, the common facilities from time to time serving the Building in common with other buildings or parcels of land) of which the Property may be a part, from time to time, such as any so-called "loop" access roads, retention ponds, sewer and other utility lines, amenities and the like; (ii) shuttle bus service (if and so long as Landlord shall provide the same); (iii) the actual or imputed cost of the space occupied by on-the-grounds building attendant(s) and related personnel and the cost of administrative and or service personnel whose duties are not limited solely to the Building, as allocated to the Building by Landlord; and (iv) payments made by Landlord under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the payment or sharing of costs among park or development property owners. Landlord may use third parties or affiliates to perform any of the foregoing services, provided that any such services performed by affiliates shall be at competitive rates (it being agreed that the management fee described above is deemed competitive), and the cost thereof shall be included in Operating Expenses. Costs referred to in this Section shall be ascertained in accordance with generally accepted accounting principles, including allowances for appropriate reserves, and allocated to appropriate fiscal periods on the accrual method of accounting.

(b) Operating Expenses shall not include: (i) the cost of casualty repairs to the extent covered by insurance (except for reasonable deductibles paid by Landlord under insurance policies maintained by Landlord); (ii) costs associated with the operation of the business of Landlord and/or the sale and/or financing of the Building, as distinguished from the cost of Building operations, maintenance and repair; (iii) costs of disputes between Landlord and its employees, tenants or contractors; (iv) principal or interest payments on any mortgages or other financing arrangements, (v) leasing commissions, advertising expenses and other costs incurred in leasing or procuring new tenants; (vi) depreciation for the Property; (vii) the cost of any capital repairs, improvements or replacements made to the Property (other than the amortized portion to be included in Operating Expenses as described above); (viii) ground rent under ground leases; (ix) utility charges payable by Tenant directly to the applicable provider, (x) any costs, fines or penalties incurred due to violations by Landlord of any legal requirements provided that such violation is not caused, directly or indirectly, by any act or omission of Tenant or any employee, agent, contractor, subcontractor, customer or business invitee of Tenant; (xi) costs covered by a guarantee or warranty; (xii) marketing costs; (xiii) the cost of any capital addition to the Property (or reserves therefor); (xiv) expenses for which the Landlord is reimbursed by another source (excluding tenant reimbursements for Operating Expenses; (xv) costs incurred to benefit (or as a result of) a specific tenant or items and services selectively supplied to any specific tenant; (xvi) expenses for the defense of the Landlord's title to the Property; (xvii) charitable or political contributions; (xviii) costs of improving or renovating space for a tenant or space vacated by a tenant; (xix) any costs incurred to comply with Legal Requirements or any court order, decree or judgment which are applicable to the Building or the Property and in effect or exist on the date of this Lease including, without limitation, the Americans with Disabilities Act and Environmental Laws (except if such non-compliance is due to acts or negligence of Tenant); (xx) costs to correct original or latent defects in the design, construction or equipment of the Building or the Property; (xxi) expenses paid directly by any tenant for any reason (such as excessive utility use); (xxii) attorneys' fees, accounting fees and expenditures incurred in connection with tax contests or negotiations, disputes and claims of other tenants or occupants of the Property or with other third parties; and (xxiii) amounts which are duplicative or do not represent costs incurred for actual services.

(c) Tenant shall pay Tenant's Pro Rata Share of Operating Expenses in accordance with Section 4.02.

ARTICLE 9: USE OF PREMISES

9.1 Permitted Uses. Tenant may use the Premises only for the Permitted Uses described in Article 1, and for no other purpose(s). Tenant shall keep the Premises equipped with appropriate safety appliances to the extent required by applicable laws or insurance requirements.

9.2 Indemnification. Tenant shall assume exclusive control of all areas of the Premises, including all improvements, utilities, equipment, and facilities therein. Tenant is responsible for the Premises and any Tenant's improvements, equipment, facilities and installations, wherever located on the Property and all liabilities, including, without limitation, tort liabilities, incident thereto. To the maximum extent this agreement may be made effective according to law, Tenant shall indemnify, save harmless and defend Landlord and Landlord's members, managers, officers,

mortgagees, agents, employees, independent contractors, invitees, Landlord's Managing Agent and other persons acting under them (collectively, "Indemnitees") from and against all liability, claim, damage or cost (including reasonable attorneys' fees) to the extent arising in whole or in part out of (i) any injury, loss, theft or damage to any person or property while on or about the Premises, and, to the extent arising out of the use or occupancy of the Building or Property by Tenant, or on account of the act or omission or negligence by Tenant or by any person claiming, by, through, or under Tenant, while on or about the Property or the Building; (ii) any condition within the Premises or, to the extent arising from the acts or omissions of Tenant, the Property or the Building; (iii) failure to comply with any Lease covenant by Tenant; or (iv) the use of the Premises (or, to the extent arising from the acts or omissions of Tenant, the Property or the Building) by, or any act or omission of, Tenant or persons claiming by, through or under Tenant, or any of its agents, employees, independent contractors, suppliers or invitees, except to the extent that any of the foregoing arise from any act or omission of Landlord or persons claiming by, through or under Landlord, or any of its agents, employees, independent contractors, suppliers or invitees, in each case paying any cost to Landlord on demand as Additional Rent. The provisions of this Section shall survive the expiration or earlier termination of this Lease.

9.3 Compliance With Legal Requirements. Tenant shall not cause or permit the Premises, the Property or the Building to be used in any way that violates any law, code, ordinance, restrictive covenant, encumbrance, governmental regulation, order, permit, approval, variance, covenants or restrictions of record or any provision of the Lease (each a "Legal Requirement"), annoys or interferes with the rights of tenants of the Building, or constitutes a nuisance or waste. Tenant shall obtain, maintain and pay for all permits and approvals and shall promptly take all actions necessary to comply with all Legal Requirements, including, without limitation, the Occupational Safety and Health Act, applicable to Tenant's use of the Premises, the Property or the Building. Tenant shall maintain in full force and effect all certifications or permissions to provide its services required by any authority having jurisdiction to authorize, franchise or regulate such services. Tenant shall be solely responsible for procuring and complying at all times with any and all necessary permits and approvals directly or indirectly relating or incident to: the conduct of its activities on the Premises; its scientific experimentation, transportation, storage, handling, use and disposal of any chemical or radioactive or bacteriological or pathological substances or organisms or other hazardous wastes or environmentally dangerous substances or materials or medical waste or animals or laboratory specimens. Within ten (10) days of a request by Landlord, which request shall be made not more than once during each period of twelve (12) consecutive months during the Term hereof, unless otherwise requested by any mortgagee of Landlord, Tenant shall furnish Landlord with copies of all such permits and approvals that Tenant possesses or has obtained together with a certificate certifying that such permits are all of the permits that Tenant possesses or has obtained with respect to the Premises. Tenant shall promptly give written notice to Landlord of any warnings or violations relative to the above received from any federal, state or municipal agency or by any court of law and shall promptly cure the conditions causing any such violations. Tenant shall not be deemed to be in default of its obligations under the preceding sentence to promptly cure any condition causing any such violation in the event that, in lieu of such cure, Tenant shall contest the validity of such violation by appellate or other proceedings permitted under applicable law, provided that: (i) any such contest is made reasonably and in good faith, (ii) Tenant makes provisions, including, without limitation, posting bond(s) or giving other security, acceptable to Landlord to protect Landlord, the Building and the Property from any liability, costs, damages or expenses arising in connection with such violation and failure to cure, (iii) Tenant shall agree to indemnify, defend (with counsel

reasonably acceptable to Landlord) and hold Landlord harmless from and against any and all liability, costs, damages, or expenses arising in connection with such condition and/or violation, (iv) Tenant shall promptly cure any violation in the event that its appeal of such violation is overruled or rejected, and (v) Tenant's decision to delay such cure shall not, in Landlord's good faith determination, be likely to result in any actual or threatened bodily injury, property damage, or any civil or criminal liability to Landlord, any tenant or occupant of the Building or the Property, or any other person or entity. Landlord hereby represents and warrants that, as of the date of this Lease, to the best of Landlord's knowledge, the Premises comply with applicable Legal Requirements.

9.4 Environmental Substances. "Environmental Law(s)" means all statutes, laws, rules, regulations, codes, ordinances, standards, guidelines, authorizations and orders of federal, state and local public authorities pertaining to any of the Environmental Substances or to environmental compliance, contamination, cleanup or disclosures of any release or threat of release to the environment, of any hazardous, biological, chemical, radioactive or toxic substances, wastes or materials, any pollutants or contaminants that are included under or regulated by any municipal, county, state or federal statutes, laws, rules, regulations, codes, ordinances, standards, guidelines, authorizations or orders, including, without limitation, the Toxic Substances Control Act, 15 U.S.C. § 2601, etseq.; the Clean Water Act, 33 U.S.C. § 1251, etseq.; the Clean Air Act, 42 U.S.C. § 7401, etseq.; the Safe Drinking Water Act, 42 U.S.C. § 300f-300j, etseq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1321, etseq.; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 etseq.; the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; the Massachusetts Hazardous Waste Management Act, as amended, M.G.L. Chapter 21C, and the Massachusetts Oil and Hazardous Material Release Prevention Act, as amended, M.G.L., Chapter 21E, as any of the same are from time to time amended, and the rules and regulations promulgated thereunder, and any judicial or administrative interpretation thereof, including any judicial or administrative orders or judgments, and all other federal, state and local statutes, laws, rules, regulations, codes, ordinances, standards, guidelines, authorizations and orders regulating the generation, storage, containment or disposal of any Environmental Substances, including, but not limited to, those relating to lead paint, radon gas, asbestos, storage and disposal of oil, biological, chemical, radioactive and hazardous wastes, substances and materials, and underground and above ground oil storage tanks; and any amendments, modifications or supplements of any of the foregoing.

"Environmental Substances" means, but shall not be limited to, any hazardous substances, hazardous waste, environmental, biological, chemical, radioactive substances, oil, petroleum products and any waste or substance, which because of its quantitative concentration, chemical, biological, radioactive, flammable, explosive, infectious or other characteristics, constitutes or may reasonably be expected to constitute or contribute to a danger or hazard to public health, safety or welfare or to the environment, or that would trigger any employee or community "right-to-know" requirements adopted by any federal, state or local governing or regulatory body, or for which any such body has adopted any requirements for the preparation or distribution of a materials safety data sheet ("MSDS"), including, without limitation, any asbestos (whether or not friable) and any asbestos-containing materials, lead paint, waste oils, solvents and chlorinated oils, polychlorinated biphenyls (PCBs), toxic metals, etchants, pickling and plating wastes, explosives, reactive metals and compounds, pesticides, herbicides, radon gas, urea formaldehyde foam insulation and chemical, biological and radioactive wastes, or any other similar materials that are mentioned under or regulated by any Environmental Law; and the regulations adopted under these acts, and including any other products or materials subsequently found by an authority of competent jurisdiction to have adverse effects on the environment or the health and safety of persons.

Tenant shall neither cause or permit any Environmental Substances to be generated, produced, brought upon, used, stored, treated or disposed of in or about or on the Building by Tenant, nor permit or suffer persons acting under Tenant, to do the same, whether with or without negligence, without (i) Landlord's prior written consent and (ii) complying with all applicable Environmental Laws and Legal Requirements pertaining to the transportation, storage, use or disposal of such Environmental Substances, including obtaining proper permits and approvals and providing Landlord the applicable MSDS for each Environmental Substance. Landlord may take into account any factors or facts that Landlord reasonably believes relevant in determining whether to grant its consent. Landlord consents to Tenant's use of the Environmental Substances listed in Exhibit G. From time to time at Landlord's request, Tenant shall execute affidavits, representations and the like concerning Tenant's best knowledge and belief, after due inquiry, regarding the presence or absence of Environmental Substances on the Premises, the Property or the Building. Tenant agrees to pay the cost of any environmental inspection or assessment requested by any lender that holds a security interest in the Property or this Lease, or by any insurance carrier, to the extent that such inspection or assessment pertains to any release, threat of release, contamination, claim of contamination, loss or damage or determination of condition in the Premises. In addition, at Landlord's request, Tenant shall promptly provide to Landlord all MSDSs for products used within the Premises.

If any transportation, storage, use or disposal of Environmental Substances on or about the Property or Building by Tenant, its agents, employees, independent contractors, or invitees results in any escape to, release to, threat of release to or contamination of the soil, surface or ground water, sewage system or ambient air or any loss or damage to person or property, Tenant agrees to: (a) notify Landlord immediately of the occurrence; (b) after consultation with Landlord, clean up the occurrence in full compliance with all applicable statutes, regulations and standards; and (c) indemnify, defend and hold Landlord, and the Indemnitees harmless from and against any claims, suits, causes of action, costs and fees, including attorneys' fees and costs, arising from or connected with any such occurrence. In the event of such occurrence, Tenant agrees to cooperate fully with Landlord and provide such documents, affidavits, information and actions as may be requested by Landlord (1) to comply with any Environmental Law or Legal Requirement, (2) to comply with any request of any mortgagee or tenant and/or (3) for any other reason deemed necessary by Landlord in its sole discretion. In the event of any such occurrence that is required to be reported to a governmental authority under any Environmental Law or Legal Requirement, Tenant shall simultaneously deliver to Landlord copies of any notices given or received by Tenant and shall promptly pay when due any fine or assessment against Landlord, Tenant or the Premises or Property relating to such occurrence.

9.5 Signs and Auctions. No sign, antenna or other structure or thing, shall be erected or placed on the Premises or any part of the exterior of the Building or erected so as to be visible from the exterior of the Building without first securing the written consent of the Landlord. Tenant shall not conduct or permit any auctions or sheriff's sales at the Property. Landlord, at Landlord's cost, shall provide Tenant identification on existing multi-tenant signs or directories at the entrance to Building C, in the parking garage and any other existing multi-tenant signage that identifies tenants in the Building, as appropriate. Such signs will be consistent with standard Building signage and will conform to local regulations.

9.6 Landlord's Access. Landlord or its agents may enter the Premises at all reasonable times to show the Premises to potential buyers, investors or tenants or other parties; to inspect and conduct tests in order to monitor Tenant's compliance with Legal Requirements governing Environmental Substances; for purposes described in Sections 2.01, 9.04, 10.03 and/or 10.04(b) or for any other purpose Landlord reasonably deems necessary. Landlord shall give Tenant reasonable prior notice (which may be oral) of such entry and, at Tenant's election, during such entry Landlord shall be accompanied by a representative of Tenant. However, in case of emergency, Landlord may enter any part of the Premises without prior notice to Tenant's representative and shall make reasonable efforts to notify Tenant.

ARTICLE 10: CONDITION AND MAINTENANCE OF PREMISES AND PROPERTY

10.1 Existing Conditions. Subject to the completion by Landlord of the Initial Tenant Improvements in accordance with the requirements of Article 11 of this Lease, Tenant shall accept the Premises and Property in their condition as of the Term Commencement Date "as is" and subject to all Legal Requirements. Tenant acknowledges that except for any express representations in this Lease, neither Landlord nor any person acting under Landlord has made any representation as to the condition of the Property or the suitability of the Property for Tenant's intended use. Tenant represents and warrants that Tenant has made its own inspection and inquiry regarding the Property and is not relying on any representations of Landlord or any Broker or persons acting under either of them.

10.2 Exemption and Limitation of Landlord's Liability.

(a) Exemption of Landlord from Liability. Tenant shall insure its personal property under an all risk full replacement cost property insurance policy. Landlord shall not be liable for any damage or injury to the person, property or business (including loss of revenue, profits or data) of Tenant, Tenant's employees, agents, contractors, or invitees, or any other person on or about the Property or the Building; provided, however, that this Section 10.02(a) shall not exempt Landlord from liability for Landlord's negligence or willful misconduct solely to the extent that such liability cannot be waived by Landlord pursuant to applicable law. This exemption shall apply whether such damage or injury is caused by (among other things): (i) fire, steam, electricity, water, gas, sewage, sewer gas or odors, snow, ice, frost or rain; (ii) the breakage, leakage, obstruction or other defects of pipes, faucets, sprinklers, wires, appliances, plumbing, windows, air conditioning or lighting fixtures or any other cause; (iii) any other casualty or any Taking; (iv) theft; (v) conditions in or about Property or the Building or from other sources or places; or (vi) any act or omission of any other tenant.

(b) Limitation On Landlord's Liability. Tenant agrees that Landlord shall be liable only for breaches of its covenants occurring while it is owner of the Property (provided, however, that if Landlord from time to time is lessee of the ground or improvements constituting the Building, then Landlord's period of ownership of the Property shall be deemed to mean only that period while Landlord holds such leasehold interest). Upon any sale or transfer of the Building, the transferor Landlord (including any mortgagee) shall be freed of any liability or obligation thereafter arising and, subject to Section 9.1, Tenant shall look solely to the transferee Landlord as aforesaid for

satisfaction of such liability or obligation. Tenant and each person acting under Tenant agrees to look solely to Landlord's interest from time to time in the Property for satisfaction of any claim against Landlord. No owner, trustee, beneficiary, partner, member, manager, agent, or employee of Landlord (or of any mortgagee or any lender or ground or improvements lessor) nor any person acting under any of them shall ever be personally or individually liable to Tenant or any person claiming under or through Tenant for or on account of any default by Landlord or failure by Landlord to perform any of its obligations hereunder, or for or on account of any amount or obligations that may be or become due under or in connection with this Lease or the Premises; nor shall it or they ever be answerable or liable in any judicial proceeding or order beyond the extent of their interest in the Property. No deficit capital account of any member or partner of Landlord shall be deemed to be a liability of such member or partner or an asset of Landlord. Any lien obtained to enforce any judgment against Landlord shall be subject and subordinate to any mortgage encumbering the Property. In no event shall Landlord (or any such persons) ever be liable to Tenant for indirect or consequential damages.

10.3 Landlord's Obligations.

(a) Repair and Maintenance. Subject to the provisions of Article 12, and except for damage caused by any act or omission of Tenant or persons acting under Tenant, Landlord shall keep the common areas of the Building (including, without limitation, common elevators and common parking areas) and the foundation, roof, Building systems (to the extent not serving the Premises or another tenant's premises exclusively), structural supports, exterior windows and exterior walls of the Building in good order, condition and repair reasonable wear and tear excepted. Landlord shall not be obligated to maintain or repair any interior windows, doors, plate glass, the surfaces of walls or other fixtures, components or equipment within the Premises, but the same shall be Tenant's obligation. Tenant shall promptly report in writing to Landlord any defective condition known to it that Landlord is required to repair. Tenant waives the benefit of any present or future law that provides Tenant the right to repair the Premises or Property at Landlord's expense or to terminate this Lease because of the condition of the Property or Premises, but subject to the provisions of Section 4.05 herein. Notwithstanding the fact that Landlord may provide security services at the Property or Building at any time during the Term of this Lease, (i) Tenant hereby releases Landlord from any claim for injury to person or damage to property asserted by Tenant or any personnel, employee, guest, invitee or agent of Tenant that is suffered or occurs in or about the Premises or in or about the Building or Property or the common areas appurtenant thereto by reason of the act of any intruder or any other person in or about the Premises, Building or Property, and (ii) Landlord shall not be deemed to owe Tenant, or any person claiming by, through or under Tenant, any duty or standard of care as a result of Landlord's provision of such security services.

10.4 Tenant's Obligations.

(a) Repair and Maintenance. Except for work that Section 10.03 or Article 12 requires Landlord to do, Tenant at its sole cost and expense shall keep the Premises including, without limitation, all Initial Tenant Improvements, other Tenant Work, Tenant Property, fixtures, systems and equipment now or hereafter on the Premises, or elsewhere exclusively serving the Premises, in good order, condition and repair, reasonable wear and tear excepted; shall keep in a safe, secure and sanitary condition all trash and rubbish temporarily stored at the Premises; and shall make all repairs and replacements and to do all other work necessary for the foregoing purposes whether the same may be ordinary or extraordinary, foreseen or unforeseen. The foregoing shall include, without

limitation, Tenant's obligation to maintain floors and floor coverings, to repair walls and doors, to replace and repair all interior glass and windows, ceiling tiles, lights and light fixtures, pipes, drains and the like in and exclusively serving the Premises. Tenant shall hire its own cleaning contractor for the Premises and shall provide first-class janitorial service in the Premises on each business day during the Term (including daily disposal of trash from trash bins in the Premises). Tenant shall arrange for its own appropriately sized dumpster, and shall locate the same in the vicinity of Tenant's loading bay in a manner reasonably approved by Landlord. If applicable, Tenant shall arrange for disposal of its own lab-related refuse by a licensed vendor in accordance with all applicable Legal Requirements. No storage shall be permitted outside of the Premises. Storage inside the Premises shall be provided in a manner not visible from outside the Premises. (For purposes of this Section, the term "reasonable wear and tear" constitutes that normal, gradual deterioration that occurs due to aging and ordinary use despite reasonable and timely maintenance and repairs or repairs and restoration, as the case may be; in no event shall "reasonable wear and tear" excuse Tenant from its obligations duty to maintain and/or repair as may be required hereunder.)

(b) Landlord's Right to Cure. If Tenant does not perform any of its obligations under Section 10.04(a), and such failure to perform continues after the written notice from Landlord and the expiration of the thirty (30) day cure period set forth in Section 14.01(b) hereof (except in the case of emergency), Landlord upon ten (10) days' prior notice to Tenant (or without prior notice in the case of an emergency) may perform such maintenance, repair or replacement on Tenant's behalf, and Tenant shall reimburse Landlord for all costs reasonably incurred together with an Administrative Charge (as defined in Section 14.02(f)), immediately upon demand.

10.5 Tenant Work.

(a) General. "Tenant Work" shall mean all work including demolition, improvements, additions and alterations in or to the Premises. Without limitation, Tenant Work includes any penetrations in the walls, partitions, ceilings or floors and all attached carpeting, all signs visible from the exterior of the Premises, and any change in the exterior appearance of the windows in the Premises (including shades, curtains and the like). All Tenant Work shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed, and shall be arranged and paid for by Tenant all as provided herein; provided that any interior, non-structural Tenant Work (including any series of related Tenant Work projects) that (a) costs less than the "Tenant Work Threshold Amount" (which shall be $10,000.00), (b) does not affect any fire-safety, telecommunications, electrical, mechanical, ventilation or plumbing systems of the Building ("Core Building Systems"), and (c) does not affect any penetrations in or otherwise affect any walls, floors, roofs, or other structural elements of the Building or any signs visible from the exterior of the Premises or any change in the exterior appearance of the windows in the Premises (including shades, curtains and the like) shall not require Landlord's prior approval if Tenant delivers the Construction Documents (as defined in Section 10.05(b)) for such work to Landlord at least five (5) business days' prior to commencing such work. Whether or not Landlord's approval is required, Tenant shall neither propose nor effect any Tenant Work that in Landlord's reasonable judgment (i) adversely affects any structural component of the Building, (ii) would be incompatible with the Core Building Systems, (iii) affects the exterior or the exterior appearance of the Building or common areas within or around the Building or other property than the Premises, (iv) diminishes the value of the Premises, or (v) requires any unusual expense to readapt the Premises. Prior to commencing any Tenant Work affecting air disbursement from ventilation systems serving Tenant or the Building, including, without limitation, the installation of Tenant's exhaust systems, Tenant shall provide Landlord with a

third party report from a consultant, and in a form, reasonably acceptable to Landlord, showing that such work will not adversely affect the ventilation systems of the Building (or of any other tenant in the Building) and shall, upon completion of such work, provide Landlord with a certification reasonably satisfactory to Landlord from such consultant confirming that no such adverse effects have resulted from such work. If, as a result of any Tenant Work, Landlord is obligated to comply with any Legal Requirement, including, but not limited to, the Americans With Disabilities Act, and such compliance requires Landlord to make any improvement or alteration to any portion of the Property, as a condition to Landlord's consent, Landlord shall have the right to require Tenant to pay to Landlord prior to the construction of any improvement or alteration by Tenant, the entire cost of any improvement or alteration Landlord is obligated to complete by such law or regulation.

(b) Construction Documents. No Tenant Work shall be effected except in accordance with complete, coordinated construction drawings and specifications ("Construction Documents") prepared in accordance with Exhibit F. Before commencing any Tenant Work requiring Landlord's approval hereunder, Tenant shall obtain Landlord's prior written approval of the Construction Documents for such work, which approval shall not be unreasonably withheld or delayed. The Construction Documents shall be prepared by an architect ("Tenant's Architect") registered in the Commonwealth of Massachusetts experienced in the construction of tenant space improvements in comparable buildings in the area where the Premises are located and, if the value of such Tenant Work will equal or exceed the Tenant Work Threshold Amount or will affect any Core Building Systems or structural components of the Building, the identity of such Architect shall be approved by Landlord in advance, such approval not to be unreasonably withheld in the case of interior, non- structural Tenant Work. Tenant shall be solely responsible for the liabilities associated with and expenses of all architectural and engineering services relating to Tenant Work and for the adequacy, accuracy, and completeness of the Construction Documents even if approved by Landlord (and even if Tenant's Architect has been otherwise engaged by Landlord in connection with the Building). The Construction Documents shall set forth in detail the requirements for construction of the Tenant Work and shall show all work necessary to complete the Tenant Work including all cutting, fitting, and patching and all connections to the mechanical, electrical, and plumbing systems and components of the Building. Submission of the Construction Documents to Landlord for approval shall be deemed a warranty by Tenant that all Tenant Work described in the Construction Documents (i) complies with all applicable laws, regulations, building codes, and highest design standards, (ii) does not adversely affect any structural component of the Building, (iii) is compatible with and does not adversely affect the Core Building Systems, (iv) does not affect any property other than the Premises, (v) conforms to floor loading limits specified by Landlord, and (vi) with respect to all materials, equipment and special designs, processes or products, does not infringe on any patent or other proprietary rights of others. The Construction Documents shall comply with Landlord's requirements for the uniform exterior appearance of the Building, including, without limitation, the use of Building standard window blinds and Building standard light fixtures within fifteen (15) feet of each exterior window. Landlord's approval of Construction Documents shall signify only Landlord's consent to the Tenant Work shown and shall not result in any responsibility or warranty of Landlord concerning compliance of the Tenant Work with laws, regulations, or codes, or coordination or compatibility with any component or system of the Building, or the feasibility of constructing the Tenant Work without damage or harm to the Building, all of which shall be the sole responsibility of Tenant.

(c) Performance. The identity of any person or entity (including any employee or agent of Tenant) performing or designing any Tenant Work ("Tenant Contractor") shall, if the cost of such

work in any instance is in excess of the Tenant Work Threshold Amount or will affect any Core Building Systems or structural components of the Building or involves any work other than interior, nonstructural alterations, be approved in advance by Landlord, such approval not to be unreasonably withheld. Once any Tenant Contractor has been approved, then the same Tenant Contractor may thereafter be used by Tenant for the same type of work until Landlord notifies Tenant that such Tenant Contractor is no longer approved. Tenant shall procure at Tenant's expense all necessary permits and licenses before undertaking any Tenant Work but shall not take any plans for Tenant Work to the municipal inspection services or fire departments, without on each occasion obtaining Landlord's prior written consent. Tenant shall perform all Tenant Work at Tenant's risk in compliance with all applicable laws and the rules and regulations attached hereto as Exhibit C as the same may be amended by Landlord from time to time and in a good and workmanlike manner employing new materials of good quality and producing a result at least equal in quality to the other parts of the Premises. When any Tenant Work is in progress, Tenant shall cause to be maintained insurance as described in the Tenant Work Insurance Schedule attached as Exhibit D and such other insurance as may be required under this Lease or reasonably required by Landlord covering any additional hazards due to such Tenant Work, and, if the cost of such Tenant Work exceeds the Tenant Work Threshold Amount also such bonds or other assurances of satisfactory completion and payment as Landlord may reasonably require, in each case for the benefit of Landlord. If the Tenant Work in any instance requires Landlord's approval hereunder, Tenant shall reimburse Landlord for its reasonable costs of reviewing the proposed Tenant Work and inspecting installation of the same. At all times while performing Tenant Work, Tenant shall require any Tenant Contractor to comply with all applicable laws, regulations, permits and Landlord's rules and regulations relating to such work, including, without limitation, use of loading areas, elevators and lobbies. Landlord shall have the right to stop any work not being performed in conformance with this Lease, and, at its option, may repair or remove non-conforming work at the expense of Tenant. Each Tenant Contractor working on the roof of the Building shall coordinate with Landlord's roofing contractor, shall comply with its requirements and shall not violate existing roof warranties. Each Tenant Contractor shall work on the Premises without causing labor disharmony, coordination difficulties, or delay to or impairing of any guaranties, warranties or the work of any other contractor. Tenant shall obtain from each Tenant Contractor, prior to entry into the Building, an agreement to indemnify and hold the Indemnitees harmless from any claim, loss or expense arising in whole or in part out of any act or neglect committed by or under such person while on or about the Premises or Building to the same extent as Tenant has so agreed in this Lease, the indemnities of Tenant and Tenant Contractor being joint and several.

(d) Payment. Tenant shall pay the entire cost of all Tenant Work so that the Premises, including Tenant's leasehold, shall always be free of liens for labor or materials. If any such lien is filed that is claimed to be attributable to Tenant or persons acting under Tenant, then Tenant shall promptly (and always within thirty (30) days of Tenant's notice of filing thereof) discharge the same.

(e) Other. (i) Tenant must schedule and coordinate all aspects of work with the Building manager and Building engineer and shall make prior arrangements for elevator use with the Building manager. If an operating engineer is required by any union regulations, Tenant shall pay for such engineer. If shutdown of risers and mains for electrical, mechanical and plumbing work is required, such work shall be supervised by Landlord's representative at Tenant's cost. If special security arrangements must be made (e.g., in connection with work outside normal business hours), Tenant Contractor shall pay the actual cost of such security. No work shall be performed in Building mechanical or electrical equipment rooms without Landlord's approval, which approval shall not be

unreasonably withheld or delayed, and all such work shall be performed under Landlord's supervision. Except in case of emergency, at least forty-eight (48) hours' prior notice must be given to the Building management office prior to the shutdown of fire, sprinkler and other alarm systems, and in case of emergency, prompt notice shall be given. In the event that such work unintentionally alerts the Fire or Police Department or any private alarm monitoring company through an alarm signal, Tenant shall be liable for any fees or charges levied in connection with such alarm. Tenant shall pay to Landlord such charges as may from time to time be in effect with respect to any such shutdown. All demolition, installations, removals or other work that is reasonably likely to inconvenience other tenants or disturb Building operations must be scheduled with the Building manager at least twenty-four (24) hours in advance.

(ii) Tenant shall take all necessary and appropriate steps to ensure that any work carried out by or on behalf of Tenant is done in a manner so as to not interfere with any other tenants or occupants of the Building. Installations within the Premises (and elsewhere where Tenant is permitted to make installations) shall not interfere with existing services and shall be installed so as not to unreasonably interfere with subsequent installation of ceilings or services for other tenants. Redundant electrical, control and alarm systems and mechanical equipment and sheet metal used or placed on the Property during construction and not maintained as part of Tenant's use of the Premises must be removed as part of the work.

(iii) Each Tenant Contractor shall take all reasonable steps to assure that any work is carried out without disruption from labor disputes arising from whatever cause, including disputes concerning union jurisdiction and the affiliation of workers employed by said Tenant Contractor or its subcontractors. Tenant shall be responsible for, and shall reimburse Landlord for, all actual costs and expenses, including reasonable attorneys' fees incurred by Landlord in connection with the breach by any Tenant Contractor of such obligations. If Tenant does not promptly resolve any labor dispute caused by or relating to any Tenant Contractor, Landlord may in its sole discretion request that Tenant remove such Tenant Contractor from the Property, and if such Tenant Contractor is not promptly removed, Landlord may prohibit such Tenant Contractor from entering the Property.

(iv) Tenant shall diligently pursue and complete all Tenant Work and upon completion thereof, Tenant shall give to Landlord (x) a permanent certificate of occupancy (if one is legally required) and any other final governmental approvals required for such work, (y) copies of "as built" plans and all construction contracts and (z) proof of payment for all labor and materials.

10.6 Condition upon Termination. At the expiration or earlier termination of the Term, Tenant (and all persons claiming through Tenant) shall without the necessity of notice, deliver the Premises (including all Initial Tenant Improvements and Tenant Work, and all replacements thereof, except such additions, alterations, Initial Tenant Improvements and other Tenant Work as the Landlord may direct to be removed at the time the Landlord approves the plans thereof, or, in the case of Tenant Work not subject to Landlord approval, at the time of expiration or earlier termination of the Term) broom-clean, in compliance with the requirements of Section 10.07 and in good and tenantable condition, reasonable wear and tear, and damage by casualty or taking (to the extent provided in Article 12 only) excepted. (For purposes of the foregoing sentence, the term "reasonable wear and tear" constitutes that normal, gradual deterioration that occurs due to aging and ordinary use despite reasonable and timely maintenance and repairs; in no event shall "reasonable wear and tear" excuse Tenant from its duty to maintain same in good condition and repair and otherwise serviceable.) The

Premises shall be surrendered to Landlord free and clear of any mechanic's liens (or any similar lien related to labor or materials) filed against any part of the Premises and free and clear of any financing or other encumbrance on any equipment and/or Initial Tenant Improvements or Tenant Work to be surrendered with the Premises. As part of such delivery, Tenant shall also provide all keys (or lock combinations, codes or electronic passes) to the Premises to Landlord; remove all signs wherever located; and, except as provided in this Section 10.06, remove all Tenant Property whether or not bolted or otherwise attached. As used herein, "Tenant Property" shall mean all trade fixtures, furnishings, equipment inventory, cabling and other personal property owned by Tenant or any person acting under Tenant at the Premises. Tenant shall repair all damage that results from such removal and restore the Premises substantially to a fully functional and tenantable condition (including the filling of all floor and wall holes, the removal of all disconnected wiring back to junction boxes and the replacement of all damaged ceiling tiles). Any property not so removed shall be deemed abandoned, shall at once become the property of Landlord, and may be disposed of in such manner as Landlord shall see fit; and Tenant shall pay the cost of removal and disposal to Landlord upon demand. If this Lease shall be terminated by reason of Tenant's breach or Event of Default, then, notwithstanding anything to the contrary in this Section 10.06 or otherwise in this Lease contained, Landlord shall have, and Tenant hereby grants, a security interest and lien against all Tenant Property in the premises or elsewhere in the Building to secure Landlord's rights under Article 14 hereof. Tenant acknowledges and agrees that Landlord may prepared and file, and Tenant shall, within ten (10) days of Landlord's written request, from time to time, execute and deliver to Landlord, such documentation (e.g., UCC statements) as may be necessary to enable Landlord to perfect and enforce such security interest and lien. The covenants of this Section shall survive the expiration or earlier termination of the Term. Landlord agrees that so long as Tenant is not in default of any of its obligations under this Lease (beyond any Grace Period), the security interest granted pursuant to Section 10.06 hereof shall be subordinated to any security interests in the foregoing collateral or any portion thereof granted by Tenant to any bank, savings and loan association or finance company which security interests are duly perfected prior to the date Landlord's are perfected. Landlord shall execute such agreement confirming this subordination which is mutually acceptable to Landlord and the secured party.

10.7 Decommissioning of the Premises. Prior to the expiration of this Lease (or within thirty (30) days after any earlier termination), Tenant shall clean and otherwise decommission all interior surfaces (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing in and/or exclusively serving the Premises, and all exhaust or other ductwork in and/or exclusively serving the Premises, in each case which has carried or released or been exposed to any Environmental Substances, and shall otherwise clean the Premises so as to permit the report hereinafter called for by this Section 10.07 to be issued. Prior to the expiration of this Lease (or within thirty (30) days after any earlier termination), Tenant, at Tenant's expense, shall obtain for Landlord a report addressed to Landlord and Landlord's designees (and, at Tenant's election, Tenant) by a reputable licensed environmental engineer that is designated by Tenant and acceptable to Landlord in Landlord's reasonable discretion, which report shall be based on the environmental engineer's inspection of the Premises and shall show: that the Environmental Substances, to the extent, if any, existing prior to such decommissioning, have been removed as necessary so that the interior surfaces of the Premises (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing, and all such exhaust or other ductwork in and/or exclusively serving the Premises, may be reused by a subsequent tenant or disposed of in compliance with applicable Environmental Laws (as defined in Section 9.04 hereof) without taking any special precautions for

Environmental Substances, without incurring special costs or undertaking special procedures for demolition, disposal, investigation, assessment, cleaning or removal of Environmental Substances and without incurring regulatory compliance requirements or giving notice in connection with Environmental Substances; and that the Premises may be reoccupied for office or laboratory use, demolished or renovated without taking any special precautions for Environmental Substances, without incurring special costs or undertaking special procedures for disposal, investigation, assessment, cleaning or removal of Environmental Substances and without incurring regulatory requirements or giving notice in connection with Environmental Substances. Further, for purposes of this Section: "special costs" or "special procedures" shall mean costs or procedures, as the case may be, that would not be incurred but for the nature of the Environmental Substances as Environmental Substances instead of non-hazardous materials. The report shall include reasonable detail concerning the clean-up location, the tests run and the analytic results. If Tenant fails to perform its obligations under this Section, without limiting any other right or remedy, Landlord may, on five (5) business days' prior written notice to Tenant perform such obligations at Tenant's expense, and Tenant shall promptly reimburse Landlord upon demand for all actual out-of-pocket costs and expenses reasonably incurred together with an Administrative Charge, as defined in Section 14.02(f). Tenant's obligations under this Section shall survive the expiration or earlier termination of this Lease.

ARTICLE 11: INITIAL TENANT IMPROVEMENTS

11.1 Tenant has provided Landlord with all necessary information regarding Tenant's space planning needs in connection with its use of the Premises. Based upon such information supplied by Tenant, space plans and specifications have been prepared (the "Plans and Specifications") for the layout of Tenant's leasehold improvements to the Premises ("Initial Tenant Improvements"). The Initial Tenant Improvements shall not include Tenant's furniture, trade fixtures, equipment and personal property and are limited to the fit-up construction, as generally laid out and specified on the Plans and Specifications. Tenant acknowledges that the Initial Tenant Improvements, except as expressly provided in the Plans and Specifications, will be designed and constructed to the general quality of the design and construction of the Building and in accordance with Landlord's building standards for the Building. Tenant has approved and agreed to the Plans and Specifications. The Plans and Specifications are attached hereto as Exhibit H.

11.2 Tenant agrees that Landlord shall have no obligation to make any changes to the Plans and Specifications requested by Tenant, provided, however, to the extent Landlord agrees to any such changes, Tenant agrees that any additional cost resulting from such approved changes shall be the responsibility of Tenant and shall be paid in full by Tenant to Landlord within ten (10) business days of billing therefor by Landlord; and Tenant agrees that if any such changes do result in delay in Substantial Completion, same shall be deemed a Tenant Delay (as defined below).

11.3 Landlord shall proceed, using reasonable efforts, to obtain all necessary permits and approvals for the construction of the Initial Tenant Improvements, to engage a contractor or construction manager to perform or supervise the construction and to proceed to construct the Initial Tenant Improvements in substantial conformance with the Plans and Specifications. Landlord reserves the right to make changes and substitutions to the Plans and Specifications in connection with the construction of the Initial Tenant Improvements, provided same do not materially adversely modify the Plans and Specifications. Subject to matters of Force Majeure, Landlord agrees to use commercially reasonable efforts to deliver the Premises to Tenant by the Target Term Commencement Date.

11.4 The Initial Tenant Improvements shall be deemed "Substantially Complete" on the date (the "Substantial Completion Date") Tenant receives notice from Landlord that Landlord has received a certificate of occupancy (temporary or permanent) or a fully-signed off building permit for the Premises issued by the Town of Lexington (the "Certificate of Occupancy"). Any of the Initial Tenant Improvements not fully completed (of which Tenant shall give Landlord notice as provided below) on the Term Commencement Date shall thereafter be so completed with reasonable diligence by Landlord, but in any event within thirty (30) days after the Term Commencement Date until such items cannot reasonably be completed within such time frame. Notwithstanding the foregoing, if any delay in the Substantial Completion of the Initial Tenant Improvements by Landlord is due to Tenant Delays, then the Substantial Completion Date shall be deemed to be the date (as set forth in a written notice from Landlord to Tenant) the Initial Tenant Improvements would have been Substantially Complete, if not for such Tenant Delays, as reasonably determined by Landlord. "Tenant Delays" shall mean delays caused by: (i) changes to the Plans and Specifications requested by Tenant that do not conform to Landlord's building standards for office build-out, or which contain long lead-time or non-standard items requested by Tenant; (ii) any material change in the Plans and Specifications requested by Tenant and agreed to by Landlord; (iii) any request by Tenant for a delay in the commencement or completion of the Initial Tenant Improvements for any reason; or (iv) any other act or omission of Tenant or its employees, agents or contractors which reasonably inhibits the Landlord from timely completing the Initial Tenant Improvements. The Premises shall not be deemed to be unavailable if only minor or insubstantial details of construction, decoration or mechanical adjustments remain to be done. If as a result of Tenant Delays the Premises are deemed ready for Tenant's occupancy, pursuant to the foregoing (and the term shall have commenced by reason thereof), but the Premises are not in fact actually ready for Tenant's occupancy, Tenant shall not (except with Landlord's consent not to be unreasonably withheld, conditioned or delayed) be entitled to take possession of the Premises for the Permitted Use until the Premises are in fact actually ready for such occupancy.

11.5 Within seven (7) business days after the Term Commencement Date, Landlord and Tenant shall confer and create a specific list of any defects or incomplete remaining items of work with respect to the Initial Tenant Improvements including any manner in which the Premises is not in the condition required to be delivered pursuant to Article 11 (a "Punch list"). Tenant shall notify Landlord within thirty (30) days after the Term Commencement Date of any portion of the Initial Tenant Improvements, including Punch list items, that remains incomplete or any manner in which the Premises is not in the condition required to be delivered pursuant to this Article 11. Except as identified in any such notice from Tenant to Landlord, Tenant shall be deemed satisfied with the Initial Tenant Improvements, Landlord shall be deemed to have completed all of its obligations under this Article 11 and Tenant shall have no claim that Landlord has failed to perform in full its obligations hereunder. Landlord warrants and represents that: (i) the certificate of occupancy for the Premises will permit the use and occupancy of the Premises for the Permitted Uses; and (ii) it will not permit any change in the certificate of occupancy which would adversely affect Tenant's use of the Premises for the Permitted Uses.

11.6 This Lease is subject to the Landlord obtaining all permits, licenses and approvals necessary to allow Landlord to construct the Initial Tenant Improvements and obtain a Certificate of Occupancy with respect thereto; and if despite Landlord's good faith efforts Landlord shall be unable

to obtain such permits, license, approvals, or Certificate of Occupancy, and is therefore unable to commence or complete the Initial Tenant Improvements, then this Lease may be terminated by Landlord by written notice to Tenant.

11.7 If Tenant occupies the Premises prior to the Term Commencement Date (which shall only be allowed upon the prior written consent of the Landlord), such occupancy shall be subject to all provisions of this Lease, such occupancy shall not change the Termination Date, and Tenant shall pay rent and all other charges provided for in this Lease during the period of such occupancy. Tenant shall be liable for any damages or delays caused by Tenant's activities at the Premises. Prior to entering the Premises, Tenant shall obtain all insurance it is required to obtain by the Lease and shall provide certificates of said insurance to Landlord. Tenant shall coordinate such entry with Landlord's building manager, and such entry shall be made in compliance with all terms and conditions of this Lease and the rules and regulations in effect from time to time.

11.8 Landlord shall pay the costs and expenses incurred by Landlord in connection with the performance and completion of the Initial Tenant Improvements in an amount not to exceed $XXXX ($XXXXX per Rentable Square Foot of the Premises) (the "Improvement Allowance") and, subject to the Additional Improvement Allowance (defined below), this shall be Landlord's maximum contribution to the cost of constructing and installing the Initial Tenant Improvements. If the cost of the Initial Tenant Improvements exceeds the Improvement Allowance, then Landlord shall pay up to an additional $XXXXX ($XXXX per square foot of Rentable Square Foot of the Premises) (the "Additional Improvement Allowance") towards the cost of the Initial Tenant Improvements. If Landlord pays the Additional Improvement Allowance, then Base Rent shall be increased in an amount equal to the actual amount expended from the Additional Improvement Allowance, amortized, on a straight line basis, over the Initial Term of the Lease with an implied interest rate of 6% per annum. Tenant shall be responsible for and promptly (but in no event longer than ten (10) days after request therefor) pay directly or pay to Landlord for, as appropriate, and indemnify and reimburse Landlord from and against, any actual costs of the Initial Tenant Improvements that are in excess of the Improvement Allowance and Additional Improvement Allowance including, without limitation, such costs over and above the Improvement Allowance and Additional Improvement Allowance necessary to complete the Initial Tenant Improvements as set forth in the Plans and Specifications, costs resulting from the Tenant's upgrades from building standard construction materials or Tenant's upgrades or changes to the Initial Tenant Improvements or the Plans and Specifications. Landlord shall have the same rights and remedies which Landlord has upon the nonpayment of Base Rent and other charges due under this Lease for nonpayment of any amounts which Tenant is required to pay to Landlord or Landlord's contractor in connection with the Initial Tenant Improvements or in connection with any construction in the Premises performed for Tenant by Landlord, Landlord's contractor or any other person, firm or entity after the Term Commencement Date. Except for the Initial Tenant Improvements and any repairs expressly required to be made by Landlord under this Lease, Landlord shall have no obligation to perform any work or construction to make the Premises fit for use and occupation or for Tenant's particular purpose or to make them acceptable to Tenant. All components of the Initial Tenant Improvements shall be part of the Building, except only for such items as Landlord shall designate in writing to be removed by Tenant on the termination of this Lease.

11.9 If Landlord fails to Substantially Complete the Initial Tenant Improvements by the date that is forty-five (45) days after the Target Term Commencement Date (the "Outside Date") and to the extent such failure to deliver is not due to Tenant Delays or matters beyond the control of Landlord, the Rent Commencement Date shall be extended by one (1) day for each day after the Outside Date until the Term Commencement Date occurs.

ARTICLE 12: DAMAGE OR DESTRUCTION; CONDEMNATION

12.1 Damage or Destruction of Premises.

(a) If the Premises or any part thereof shall be damaged by fire or other insured casualty, then, subject to the last paragraph of this Section, Landlord shall proceed with diligence, subject to then applicable statutes, building codes, zoning ordinances and regulations of any governmental authority, and at the expense of Landlord (but only to the extent of insurance proceeds made available to Landlord by any mortgagee of the Building and any ground lessor) to repair or cause to be repaired such damage (other than any Initial Tenant Improvements not deemed to be fixtures covered by Landlord's property insurance and Tenant Work, which Tenant shall promptly commence, and proceed with diligence, to restore). All such repairs made necessary by any act or omission of Tenant shall be made at the Tenant's expense to the extent that the cost of such repairs are less than the deductible amount in Landlord's insurance policy. All repairs to and replacements of Tenant Property not deemed to be fixtures covered by Landlord's property insurance and any Initial Tenant Improvements and Tenant Work shall be made by and at the expense of Tenant. The cost of any repairs performed under this Section by Landlord at Tenant's request and at Tenant's expense (including costs of design fees, financing, and charges for administration, overhead and construction management services by Landlord and Landlord's contractor) shall constitute Additional Rent hereunder. If the Premises or any part thereof shall have been rendered unfit for use and occupation hereunder by reason of such damage, the Base Rent or a just and proportionate part thereof, according to the nature and extent to which the Premises shall have been so rendered unfit, shall be abated until the Premises (except as to Tenant Property, Initial Tenant Improvements not deemed to be fixtures covered by Landlord's property insurance and any Tenant Work) shall have been restored as nearly as practicable to the condition in which they were immediately prior to such fire or other casualty; and that if and to the extent Landlord shall be unable to collect the insurance proceeds (including rent insurance proceeds) applicable to such damage because of some action or inaction on the part of Tenant, or the employees, licensees or invitees of Tenant, the cost of repairing such damage shall be paid by Tenant and there shall be no abatement of rent. Landlord shall not be liable for delays in the making of any such repairs that are due to government regulation, casualties, and strikes, unavailability of labor and materials, delays in obtaining insurance proceeds, and other causes beyond the reasonable control of Landlord, nor shall Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from delays in repairing such damage. If the Premises or the Building are substantially damaged so as to prevent Tenant from using the Premises for the Permitted Use and the Premises have not been restored to the condition required pursuant to the terms of this Lease within two hundred and seventy (270) days following said casualty (or if such casualty occurs during the last 18 months of the term, within ninety (90) days after the date of such casualty), then Tenant may terminate this Lease upon thirty (30) days written notice to Landlord unless Landlord shall substantially complete such repair and restoration within such thirty (30) day period in which event Tenant's termination shall be void and of no further force or effect.

(b) If (i) the Premises are so damaged by fire or other casualty (whether or not insured) at any time during the last thirty (30) months of the Term that the cost to repair such damage is reasonably estimated to exceed one-third (1/3) of the total Base Rent payable hereunder for the

period from the estimated completion date of repair until the end of the Term, (ii) at any time the Building (or any portion thereof, whether or not including any portion of the Premises) is so damaged by fire or other casualty (whether or not insured) that substantial alteration or reconstruction or demolition of the Building (or a portion thereof) shall in Landlord's judgment be required, or (iii) at any time damage to the Building occurs by fire or other insured casualty and any mortgagee or ground lessor shall refuse to permit insurance proceeds to be utilized for the repair or replacement of such property and Landlord determines not to repair such damage, then and in any of such events, this Lease and the term hereof may be terminated at the election of Landlord by a notice from Landlord to Tenant within four (4) months, or such longer period as is required to complete arrangements with any mortgagee or ground lessor regarding such situation, as reasonably substantiated by Landlord, following such fire or other casualty; the effective termination date pursuant to such notice shall be not less than thirty (30) days after the day on which such termination notice is received by Tenant. If any mortgagee refuses without fault by Tenant to permit insurance proceeds to be applied to replacement of the Premises, and neither Landlord nor such mortgagee has commenced such replacement within four (4) months following adjustment of such casualty loss with the insurer, then Tenant may, until any such replacement commences, terminate this Lease by giving at least thirty (30) days prior written notice thereof to Landlord and such termination shall be effective on the date specified if such replacement has not then commenced. In the event of any termination, the Term shall expire as though such effective termination date were the date originally stipulated in Article 1 for the end of the Term and the Base Rent and Additional Rent for Total Operating Costs (to the extent not abated as set forth above) shall be apportioned as of such date. Notwithstanding anything to the contrary contained in this Lease, Landlord shall not have the right to terminate this Lease in the event of a fire or other casualty unless Landlord shall simultaneously terminate all other leases and tenancies similarly affected by the fire or casualty.

12.2 Eminent Domain. In the event that all or any substantial part of the Premises or the Building or its common areas is taken (other than for temporary use, hereafter described) by public authority under power of eminent domain (or by conveyance in lieu thereof), then by notice given within three (3) months following the recording of such taking (or conveyance) in the appropriate registry of deeds, this Lease may be terminated at Landlord's election thirty (30) days after such notice, and Base Rent and Tenant's share of Total Operating Costs and Taxes shall be apportioned as of the date of termination. In the event there is a taking that results in the loss of reasonable access to the Premises; results in the loss of more than twenty-five percent (25%) of the rentable floor area of the Premises; or results in loss of parking facilities for the Building and Landlord reasonably determines it is not practical to relocate such parking or relocate and reconnect such facilities within the remaining Building or Property then Tenant shall have the right, upon written notice to Landlord given within thirty (30) days after notice of the taking, to terminate the Lease. If this Lease is not terminated as aforesaid, subject to the rights of mortgagees Landlord shall within a reasonable time thereafter, diligently restore what may remain of the Premises (excluding any Tenant Property or other items installed or paid for by Tenant that Tenant is permitted or may be required to remove upon expiration and any Initial Tenant Improvements and Tenant Work) to a tenantable condition. In the event some portion of rentable floor area of the Premises is taken (other than for temporary use) and this Lease is not terminated, Base Rent shall be proportionally abated for the remainder of the Term. In the event of any taking of the Premises or any part thereof for temporary use, (i) this Lease shall be and remain unaffected thereby and rent shall not abate, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking that is within the Term, provided that if such taking shall remain in force at

the expiration or earlier termination of this Lease, then Tenant shall pay to Landlord a sum equal to the reasonable cost of performing Tenant's obligations hereunder with respect to surrender of the Premises and upon such payment shall be excused from such obligations.

So long as Tenant is not then in breach of any covenant or condition of this Lease, any specific damages that are expressly awarded to Tenant on account of its relocation expenses, and specifically so designated, shall belong to Tenant. Except as provided in the preceding sentence of this paragraph, Landlord reserves to itself, and Tenant releases and assigns to Landlord, all rights to damages accruing on account of any taking or by reason of any act of any public authority for which damages are payable. Tenant agrees to execute such further instruments of assignment as may be reasonably requested by Landlord, and to turn over to Landlord any damages that may be recovered in any proceeding or otherwise; and Tenant irrevocably appoints Landlord as its attorney-in-fact with full power of substitution so to execute and deliver in Tenant's name, place and stead all such further instruments if Tenant shall fail to do so after ten (10) days' notice.

ARTICLE 13: ASSIGNMENT AND SUBLETTING

13.1 Landlord's Consent Required. Except as set forth in this Article, Tenant shall not directly or indirectly assign this Lease, or sublet or license the Premises or any portion thereof, or advertise the Premises for assignment or subletting or permit the occupancy of all or any portion of the Premises by any person other than Tenant (each of the foregoing actions are collectively referred to as a "Transfer") without obtaining, on each occasion, the prior written consent of Landlord, which consent shall not be unreasonably withheld provided that Tenant complies with the provisions of this Article. Subject to Section 13.04 herein, a Transfer shall include, without limitation, any transfer of Tenant's interest in this Lease by operation of law, merger or consolidation of Tenant into any other firm or corporation, and the transfer or sale of a controlling interest in Tenant, whether by sale of its capital stock or otherwise or any sale of all or a substantial part of Tenant's assets. Any Transfer shall be subject to this Lease, all of the provisions of which shall be conditions to such Transfer and be binding on any transferee. No transferee shall have any right further to transfer its interest in the Premises, and nothing herein shall impose any obligation on Landlord with respect to a further Transfer. The foregoing restrictions shall be binding on any assignee or sublessee to which Landlord has consented, provided, notwithstanding anything else contained in this Lease, Landlord's consent to any further assignment, subleasing or any sub-subleasing by any approved assignee or sublessee may be withheld by Landlord at Landlord's sole discretion. If Tenant does Transfer with (or without) Landlord's consent, any option or other right that Tenant may have relating to the Premises, including any right to extend the Term or lease other premises, shall automatically be terminated except in the case of a Related Party Transfer. Landlord's Managing Agent, Beal and Company, Inc. (or such other manager of the Building appointed from time to time by Landlord) shall be Tenant's exclusive broker for a period of six (6) months with respect to any proposed transfer so long as such Managing Agent uses its good faith best efforts to market in accordance with Tenant's directions; and after such period Tenant may appoint a co-exclusive broker to serve along with Landlord's Managing Agent. Such Managing Agent shall be paid a brokerage fee for any transfer in accordance with such Managing Agent's commission schedule then in effect so long as such schedule is competitive with similar schedules of major Greater Boston brokerage firms.

13.2 Terms. Without limitation, it shall not be unreasonable for Landlord to withhold such consent for any Transfer where, in Landlord's opinion: (i) the proposed transferee does not have a financial standing and credit rating reasonably acceptable to Landlord; (ii) the proposed transferee

does not have a good reputation in the community; (iii) the business in which the proposed transferee is engaged could detract from, or be inappropriate for, the Building, its value or the costs of ownership thereof; (iv) the rent to be paid by any proposed transferee is less than the then current fair market rent; (v) the proposed transferee is a current tenant or a prospective tenant (or any affiliate of such tenant or prospective tenant), meaning such tenant has been shown space or has been presented with or has made an offer to lease space, of the Building or the Project; (vi) the use of the Premises by any transferee (even though a Permitted Use) violates any use restriction granted by Landlord in any other lease or would otherwise cause Landlord to be in violation of its obligations under another lease or agreement to which Landlord is a party; (vii) if such Transfer is not approved of by the holder of any mortgage on the Property (if such approval is required); (viii) a proposed transferee's business will impose a burden on the Property's parking facilities, elevators, common areas, facilities, or utilities that is greater than the burden imposed by Tenant, in Landlord's reasonable judgment; (ix) any guarantor of this Lease refuses to consent to the proposed transfer or to execute a written agreement reaffirming the guaranty; (x) Tenant is in default of any of its obligations under the Lease at the time of the request or at the time of the proposed Transfer; (xi) if requested by Landlord, the transferee refuses to sign a non-disturbance and attornment agreement in favor of Landlord's lender; (xii) Landlord has sued or been sued by the proposed transferee or has otherwise been involved in a legal dispute with the proposed transferee; (xiii) the transferee is involved in a business which is not in keeping with the then current standards of the Property; (xiv) the Transfer will result in there being more than one subtenant of the Premises; or (xv) the transferee is a governmental or quasi-governmental entity or an agency, department or instrumentality of a governmental or quasi-governmental agency. Landlord may condition its consent upon such transferee depositing with Landlord such additional security as Landlord may reasonably require to assure the performance and observance of the obligations of such party to Landlord. In no event, however, shall Tenant assign this Lease or sublet the whole or any part of the Premises to a proposed transferee which has been judicially declared bankrupt or insolvent according to law, or with respect to which an assignment has been made of property for the benefit of creditors, or with respect to which a receiver, guardian, conservator, trustee in involuntary bankruptcy or similar officer has been appointed to take charge of all or any substantial part of the proposed transferee's property by a court of competent jurisdiction, or with respect to which a petition has been filed for reorganization under any provisions of the Bankruptcy Code now or hereafter enacted, or if a proposed transferee has filed a petition for such reorganization, or for arrangements under any provisions of the Bankruptcy Code now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for the payment of debts.

13.3 Right of Termination or Recapture. If Tenant requests Landlord's consent to a Transfer (excepting a Related Party Transfer) of all or a portion of the Premises, Landlord shall have the option, exercisable by written notice to Tenant given within thirty (30) days after Landlord's receipt of Tenant's completed request, to terminate this Lease as of the date specified in such notice, which shall not be less than thirty (30) nor more than one hundred twenty (120) days after the date of such notice, as to the entire Premises in the case of a proposed Transfer of the whole Premises, and as to the portion of the Premises to be transferred in the case of a partial Transfer. In the event of termination in respect of a portion of the Premises, the portion so eliminated shall be delivered to Landlord on the date specified in good order and condition in the manner required under this Lease at the end of the Term and thereafter, to the extent necessary in Landlord's judgment, Landlord, at Tenant's cost and expense, may have access to and may make modification to the Premises (or portion thereof) so as to make such portion a self-contained rental unit with access to common areas, elevators and the like. Base Rent and the Tenant's share shall be adjusted according to the extent of the rentable square footage of the Premises for which the Lease is terminated.

13.4 Procedures. At least thirty (30) days prior to the effective date of any Transfer, Tenant shall give Landlord in writing the details of the proposed Transfer, including, but not limited to: (i) the name, business, and financial condition of the prospective transferee, (ii) a true and complete copy of the proposed instrument containing all of the terms and conditions of such Transfer, (iii) a written agreement of the assignee, subtenant or licensee agreeing with Landlord to perform and observe all of the terms, covenants, and conditions of this Lease undertaken by such transferee and such other matters as are contained in Landlord's standard form of consent to a Transfer, and (iv) any other information Landlord reasonably deems relevant. Tenant shall pay to Landlord, as Additional Rent, Landlord's actual reasonable attorneys' fees in reviewing any Transfer up to a maximum of $3,000 per Transfer request. Tenant may make a Related Party Transfer (as defined below) without the consent of Landlord provided that Tenant gives Landlord at least ten (10) days' prior notice thereof together with evidence reasonably satisfactory to Landlord that the proposed Transfer is a Related Party Transfer and such Related Party Transfer is subject to all of the other terms and conditions for this Article. A "Related Party Transfer" transactions with an entity (i) into or with which Tenant is merged or consolidated, (ii) to which substantially all of Tenant's assets are transferred as a going concern, or (iii) which controls or is controlled by Tenant or is under common control with Tenant, shall not be deemed to be a Transfer within the meaning of this Section, provided that in any of such events (1) Landlord receives prior written notice of any such transactions, (2) the assignee or subtenant agrees directly with Landlord, by written instrument in form satisfactory to Landlord, to be bound by all the obligations of Tenant hereunder including, without limitation, the covenant against further assignment and subletting, (3) in no event shall Tenant be released from its obligations under this Lease, (4) any such transfer or transaction is for a legitimate, regular business purpose of Tenant other than a transfer of Tenant's interest in this Lease, and (5) the involvement by Tenant or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buy-out or otherwise) whether or not a formal assignment or hypothecation of this Lease or Tenant's assets occurs, will not result in a reduction of the Net Worth of Tenant (as defined below), from the Net Worth of Tenant as it is represented to Landlord at the time of the execution by Landlord of this Lease, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time said Net Worth of Tenant was or is greater. "NetWorth" of Tenant for purposes of this Section shall be the tangible net worth of Tenant (excluding any guarantors) established under generally accepted accounting principles consistently applied.

13.5 Excess Rents. If the consideration, rent, or other amounts payable to Tenant under any other Transfer exceed the Rent and Tenant's Transfer Expenses ((a) pro rated based on floor area in the case of a subletting, license or other occupancy of less than the entire area of the Premises and (b) amortized on a straight line basis over the remaining Term), then Tenant shall pay to Landlord, as Additional Rent, fifty percent (50%) of the amount of such excess when and as received. Tenant's "Transfer Expenses" shall mean Tenant's actual reasonable and necessary payments to third parties in connection with such a Transfer on account of brokerage, legal and market-based fit-up costs. Without limiting the generality of the first sentence of this Section, any lump-sum payment or series of payments (including, without limitation, for the purchase or use of so-called leasehold improvements or Tenant Property and any separate charges for services) on account of any Transfer shall be deemed to be in excess of Rent and other charges in its or their entirety.

13.6 No Release. Notwithstanding any Transfer and whether or not the same is a Related Party Transfer or is consented to, the liability of Tenant to Landlord shall remain direct and primary. Any transferee of all or substantially all of Tenant's interest in the Premises (including any such transferee under a Related Party Transfer) shall be jointly and severally liable with Tenant to Landlord for the performance of all of Tenant's covenants under this Lease; and such assignee shall upon request execute and deliver such instruments as Landlord reasonably requests in confirmation thereof (and agrees that its failure to do so shall be a default). Tenant hereby irrevocably authorizes Landlord to collect Rent from any transferee (and upon notice any transferee shall pay directly to Landlord) and apply the net amount collected to the rent and other charges reserved under this Lease. No Transfer shall be deemed a waiver of the provisions of this Section, or the acceptance of the transferee as a tenant, or a release of Tenant from direct and primary liability for the performance of all of the covenants of this Lease. Notwithstanding anything to the contrary in the documents effecting the Transfer, no Transfer shall alter in any manner whatsoever the terms of this Lease, to which any Transfer at all times shall be subject and subordinate. The breach by Tenant or any transferee of any covenant in this Article shall be a default for which there is no cure period.

Anything contained in the foregoing provisions of this section to the contrary notwithstanding, neither Tenant nor any transferee nor any other person having an interest in the possession, use, occupancy or utilization of the Premises shall enter into any lease, sublease, assignment, license, concession or other agreement for use, occupancy or utilization of space in the Premises that provides for rental or other payment for such use, occupancy or utilization based, in whole or in part, on the net income or profits derived by any person from the Premises leased, used, occupied or utilized (other than an amount based on a fixed percentage or percentages of receipts or sales), and any such purported lease, sublease, assignment, license, concession or other agreement shall be absolutely void and ineffective as a conveyance of any right or interest in the possession, use, occupancy or utilization of any part of the Premises.

13.7 Certain Additional Rights. If the Premises or any part thereof are Transferred by Tenant, following the occurrence of a default which has continued beyond any applicable cure period, Landlord, in addition to any other remedies provided hereunder or at law, may at its option collect directly from any such transferee(s) all rents becoming due to the Tenant under any such Transfer and apply such rent against any amounts due Landlord by Tenant under this Lease, and Tenant hereby irrevocably authorizes and directs such transferee(s) to so make all such rent payments, if so directed by Landlord; and it is understood that no such election or collection or payment shall be construed to constitute a novation of this Lease or a release of Tenant hereunder, or to create any lease or occupancy agreement between the Landlord and such subtenant or impose any obligations on Landlord, or otherwise constitute the recognition of such sublease by Landlord for any purpose whatsoever. Tenant hereby absolutely and unconditionally assigns and transfers to Landlord all of Tenant's interest in all rentals and income arising from any Transfer entered into by Tenant, and Landlord may collect such rent and income and apply same toward Tenant's obligations under this Lease; provided, however, that until a default occurs in the performance of Tenant's obligations under this Lease, Tenant may receive, collect and enjoy the rents accruing under such Transfer. Landlord shall not, by reason of this or any other assignment of such rents to Landlord nor by reason of the collection of the rents from a transferee, be deemed to have assumed or recognized any Transfer or to be liable to the transferee for any failure of Tenant to perform and comply with any of Tenant's obligations to such transferee under such Transfer, including, but not limited to, Tenant's obligation to return any security deposit. Tenant hereby irrevocably authorizes and directs any such

transferee, upon receipt of a written notice from Landlord stating that a default exists in the performance of Tenant's obligations under this Lease, to pay to Landlord the rents due as they become due under the Transfer. Tenant agrees that such transferee shall have the right to rely upon any such statement and request from Landlord, and that such transferee shall pay such rents to Landlord without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Tenant to the contrary. In the event Tenant shall default in the performance of its obligations under this Lease or Landlord terminates this Lease by reason of a default of Tenant, Landlord at its option and without any obligation to do so, may require any transferee to attorn to Landlord.

ARTICLE 14: EVENTS OF DEFAULT AND REMEDIES

14.1 Events of Default. Landlord and Tenant hereby agree that the occurrence of any one or more of the following events is a material default (sometimes referred to as an "Event of Default") by Tenant under this Lease:

(a) Tenant's failure to make any payment of Base Rent, Additional Rent, Rent, Tenant's share of Operating Expenses, Tenant's share of Taxes, late charges, or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of five (5) days after written notice thereof from Landlord to Tenant; provided if Landlord has given two (2) prior notices of any such failure (under subsection (a) or (b) hereunder) in any twelve (12) month period, then Tenant shall be in default if any such payment is not made on or before the due date without notice;

(b) Tenant's failure to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant (other than those referenced in Section 14.01(a), above) where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant, or such longer period if such default cannot be reasonably cured within such thirty (30) day period, provided that Tenant diligently commences the cure within the thirty (30) day period and diligently prosecutes such cure to completion and further provided that in no event shall such cure period exceed ninety (90) days;

(c) Tenant's abandonment of the Premises;

(d) Tenant's (or any transferee of Tenant's) attempt to make any Transfer of the Premises in violation of this Lease;

(e) (i) The making by Tenant or any guarantor of Tenant's obligations hereunder of any general arrangement or general assignment for the benefit of creditors; (ii) Tenant or any guarantor becoming a "debtor" as defined in 11 U.S.C. 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant or guarantor, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within forty-five (45) days; (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within forty-five (45) days; or (v) the insolvency of Tenant. In the event that any provision of this Section 14.04(e) is unenforceable under applicable law, such provision shall be of no force or effect;

(f) The discovery by Landlord that any financial statement, representation or warranty given to Landlord by Tenant, or by any guarantor of Tenant's obligations hereunder, was materially false at the time given, Tenant acknowledging that Landlord has entered into this Lease in material reliance on such information;

(g) The failure of Tenant to comply with any of its obligations within the applicable specified timeframes under (i) Article 7 with respect to maintaining and evidencing the required insurance coverages; (ii) Article 15; (iii) Section 16.03; and (iv) Section 16.04.

then, and in any such case, Landlord and its agents lawfully may, in addition to any remedies for any preceding breach, immediately or at any time thereafter without demand or notice and with or without process of law, enter upon any part of the Premises in the name of the whole or mail or deliver a notice of termination of the Term of this Lease addressed to Tenant at the Premises or any other address herein, and thereby terminate the Term and repossess the Premises as of Landlord's former estate. At Landlord's election such notice of termination may be included in any notice of default. Upon such entry or mailing the Term shall terminate, all executory rights of Tenant and all obligations of Landlord will immediately cease, and Landlord may expel Tenant and all persons claiming under Tenant and remove their effects without any trespass and without prejudice to any remedies for arrears of Rent or prior breach; and Tenant waives all statutory and equitable rights to its leasehold (including rights in the nature of further cure or redemption, if any). If Landlord engages attorneys in connection with any failure to perform by Tenant hereunder, Tenant shall promptly reimburse Landlord for the fees of such attorneys on demand as Additional Rent. Without implying that other provisions do not survive, the provisions of this Article shall survive the Term or earlier termination of this Lease.

Rent forgiveness, allowances for (and/or Landlord expenses in designing and constructing) leasehold improvements to ready the Premises for Tenant's occupancy and the like, if any, have been agreed to by Landlord as inducements for Tenant faithfully to perform all of its obligations. For all purposes, upon the occurrence of any Event of Default and the lapse of the applicable cure period, if any, any such inducements shall be deemed void as of the date hereof as though such had never been included, and the aggregate amounts (or value) thereof will be deemed to be Additional Rent then immediately due. The foregoing will occur automatically without any further notice by Landlord, whether or not the Term is then or thereafter terminated and whether or not Tenant thereafter corrects such Event of Default.

14.2 Remedies for Default.

(a) Reletting Expenses Damages. If the Term of this Lease is terminated for an Event of Default, Tenant covenants, as an additional cumulative obligation after such termination, to pay all of Landlord's reasonable costs, including reasonable attorneys fees, related to Tenant's Event of Default and in collecting amounts due and all reasonable expenses in connection with reletting, including tenant inducements to new tenants, brokerage commissions, fees for legal services, expenses of preparing the Premises for reletting and the like together with an administrative charge of fifteen percent (15%) of all the foregoing costs ("Reletting Expenses"). It is agreed that Landlord may (i) relet the Premises or part or parts thereof for a term or terms that may be equal to, less than or exceed the period that would otherwise have constituted the balance of the Term, and may grant such tenant inducements, including free rent, as Landlord in its sole discretion considers advisable, and (ii) make such alterations to the Premises as Landlord in its sole discretion considers advisable,

and no failure to relet or to collect rent under any reletting shall operate to reduce Tenant's liability. Any obligation to relet imposed by law will be subject to Landlord's reasonable objectives of developing its property in a harmonious manner with appropriate mixes of tenants, uses, floor areas, terms and the like. Landlord's Reletting Expenses together with all other sums provided for whether incurred prior to or after such termination will be due upon demand.

(b) Termination Damages. If the Term of this Lease is terminated for default, unless and until Landlord elects lump sum liquidated damages described in the next paragraph, Tenant covenants, as an additional, cumulative obligation after any such termination, to pay punctually to Landlord all the sums and perform all of its obligations in the same manner as if the Term had not been terminated. In calculating such amounts Tenant will be credited with the net proceeds of any rent then actually received by Landlord from a reletting of the Premises after deducting all Rent that has not then been paid by Tenant, provided that Tenant shall never be entitled to receive any portion of the re-letting proceeds, even if the same exceed the Rent originally due hereunder.

(c) Lump Sum Liquidated Damages. If this Lease is terminated for default, Tenant covenants, as an additional, cumulative obligation after any such termination, to pay forthwith to Landlord at Landlord's election made by written notice at any time after termination, as liquidated damages a single lump sum payment equal to the sum of (i) all sums to be paid by Tenant and not then paid at the time of such election, plus either, as Landlord elects, (ii) the excess of the present value of all of the Rent reserved for the residue of the Term (with Additional Rent deemed to increase ten percent (10%) in each year on a compounding basis) over the present value of the aggregate fair market rent and Additional Rent payable (if less than the Rent payable hereunder) on account of the Premises during such period, which fair market rent shall be reduced by reasonable projections of vacancies and by Landlord's Reletting Expenses described above to the extent not theretofore paid to Landlord), or (iii) an amount equal to the sum of all of the Rent and other sums due under the Lease with respect to the twelve (12) month period next following the date of termination. (The Federal Reserve discount rate (or equivalent) shall be used in calculating such present values under clause (ii), and in the event the parties are unable to agree on such fair market rent, the matter shall be submitted, upon the demand of either party, to the office of the American Arbitration Association (or successor) closest to the Property, with a request for arbitration in accordance with the rules of the Association by a single arbitrator who shall be a licensed real estate broker with at least ten (10) years experience in the leasing of 1,000,000 or more square feet of floor area of buildings similar in character and location to the Premises, whose decision shall be conclusive and binding on the parties.)

(a) Remedies Cumulative; Late Performance. The remedies to which Landlord may resort under this Lease, and all other rights and remedies of Landlord are cumulative, and any two or more may be exercised at the same time. Nothing in this Lease shall limit the right of Landlord to prove and obtain in proceedings for bankruptcy or insolvency an amount equal to the maximum allowed by any statute or rule of law in effect at the time; and Tenant agrees that the fair value for occupancy of all or any part of the Premises at all times shall never be less than the Base Rent and all Additional Rent payable from time to time. Tenant shall also indemnify and hold Landlord harmless in the manner provided elsewhere herein if Landlord shall become or be made a party to any claim or action (a) instituted by Tenant against any third party, or by any third party against Tenant, or by or against any person claiming Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this

Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. Except for damages incurred by Landlord as a result of Tenant's holdover after the expiration of the Term or in connection with a breach of Tenant's obligations under Sections 9.04 and 10.07, Landlord hereby waives its right to recover punitive, special or consequential damages arising out of any act, omission or default by Tenant (or any party for whom Tenant is responsible).

(b) Waivers; Accord and Satisfaction. No consent by Landlord or Tenant to any act or omission that otherwise would be a default shall be construed to permit other similar acts or omissions. Neither party's failure to seek redress for violation or to insist upon the strict performance of any covenant, nor the receipt by Landlord of Rent with knowledge of any breach of covenant, shall be deemed a consent to or waiver of such breach. No breach of covenant shall be implied to have been waived unless such is in writing, signed by the party benefiting from such covenant and delivered to the other party; and no acceptance by Landlord of a lesser sum than the Rent due shall be deemed to be other than on account of the earliest installment of such Rent. Nor shall any endorsement or statement on any check or in any letter accompanying any 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 balance of such installment or pursue any other right or remedy. The acceptance by Landlord of any Rent following the giving of any default and/or termination notice shall not be deemed a waiver of such notice. If Landlord commences any summary proceeding for possession of the Premises or in any action based on non-payment of Rent by Tenant hereunder, Tenant hereby waives the right to interpose any non-compulsory claim or counterclaim of whatever nature or description in any such proceeding**.**

(c) Landlord's Curing. If Tenant fails to perform any covenant within any applicable cure period, then Landlord at its option may (without waiving any right or remedy for Tenant's non-performance) at any time thereafter perform the covenant for the account of Tenant. Tenant shall upon demand reimburse Landlord's cost (including reasonable attorneys' fees) of so performing, together with an administrative charge equal to fifteen percent (15%) of such cost ("Administrative Charge") on demand as Additional Rent. Notwithstanding any other provision concerning cure periods, Landlord may cure any non-performance for the account of Tenant after such notice to Tenant, if any, as is reasonable under the circumstances if curing prior to the expiration of the applicable cure period is reasonably necessary to prevent likely damage to the Premises or possible injury to persons, or to protect Landlord's interest in the Premises.

ARTICLE 15: LETTER OF CREDIT

15.01 Simultaneously with the execution and delivery of this Lease, Tenant shall deliver to Landlord a clean, irrevocable letter of credit in the Letter of Credit Amount (as defined in Article 1) in the form attached hereto as Exhibit L or otherwise satisfactory in form and content to Landlord and issued by an FDIC insured bank located in Boston reasonably satisfactory to Landlord in favor of Landlord. During the Term hereof, including any extensions thereof, or for any period that Tenant remains in possession of the premises following the expiration of the term, or for any period Tenant has obligations hereunder to Landlord that remain unsatisfied following the expiration of the term (as may be extended), and for ninety (90) days after the latest to occur of the foregoing (i.e., the expiration of the term (as may be extended), the date on which Tenant vacates and yields up the premises, etc.), the letter of credit shall be held to ensure the full and timely performance of Tenant's obligations under this Lease; which letter of credit may be drawn upon by Landlord and applied from time to time against outstanding obligations of Tenant hereunder without notice or demand. Tenant

shall have no right to require Landlord to so draw and apply the letter of credit, nor shall Tenant be entitled to credit the same against rents or other sums payable hereunder. During the entire Term hereof, including any extension thereof, Tenant shall cause said letter of credit to be renewed, in identical form to that delivered herewith, no later than thirty (30) days prior to the date of expiration of same. Without limiting any other remedies of Landlord, in the event that Tenant fails to renew any letter of credit given hereunder at least thirty (30) days prior to the date of expiration thereof, then Landlord shall have the right to draw down the entire amount of said letter of credit and hold such sums as a cash deposit. If and to the extent that Landlord makes such use of the letter of credit, or any part thereof, the sum so applied by Landlord (from cash or from a drawing on the letter of credit) shall be restored to the letter of credit (or by a new letter of credit equal to the difference) by Tenant forthwith upon notice from Landlord, and failure to so restore (within the grace period applicable to Base Rent hereunder) shall be a default hereunder giving rise to all of Landlord's rights and remedies applicable to a default in the payment of rent. In the event of a change of circumstance relating to the bank issuing the letter of credit, or Landlord otherwise believes the financial conditions of the issuing bank has been degraded, Landlord reserves the right to require Tenant to replace the letter of credit from time to time with a substitute similar letter of credit issued by another bank satisfactory to Landlord. In addition, in the event of a termination based upon the default of Tenant under the Lease, or a rejection of the Lease pursuant to the provisions of the Federal Bankruptcy Code, Landlord shall have the right to draw upon the Letter of Credit (from time to time, if necessary) to cover the full amount of damages and other amounts due from Tenant to Landlord under the Lease. Any amounts so drawn shall, at Landlord's election, be applied first to any unpaid rent and other charges which were due prior to the filing of the petition for protection under the Federal Bankruptcy Code. Tenant hereby covenants and agrees not to oppose, contest or otherwise interfere with any attempt by Landlord to draw down from said Letter of Credit including, without limitation, by commencing an action seeking to enjoin or restrain Landlord from drawing upon said Letter of Credit. Tenant also hereby expressly waives any right or claim it may have to seek such equitable relief. In addition to whatever other rights and remedies it may have against Tenant if Tenant breaches its obligations under this paragraph, Tenant hereby acknowledges that it shall be liable for any and all damages which Landlord may suffer as a result of any such breach. Upon request of Landlord or any (prospective) purchaser or mortgagee of the Building, Tenant shall, at its expense, cooperate with Landlord in obtaining an amendment to or replacement of any Letter of Credit which Landlord is then holding so that the amended or new Letter of Credit reflects the name of the new owner of the Building or mortgagee, as the case may be.

ARTICLE 16: PROTECTION OF LENDERS

16.1 Subordination and Superiority of Lease. Tenant agrees that this Lease and the rights of Tenant hereunder will be subject and subordinate to any lien of the holder of any existing or future mortgage, and to the rights of any lessor under any ground or improvements lease of the Building (all mortgages and ground or improvements leases of any priority are collectively referred to in this Lease as "mortgage," and the holder or lessor thereof from time to time as a "mortgagee"), and to all advances and interest thereunder and all modifications, renewals, extensions and consolidations thereof. With respect to future liens of any mortgage hereafter granted, Landlord will request that the mortgagee execute and deliver to Tenant an agreement (in such form as such mortgagee may request) in which the mortgagee agrees that such mortgagee shall not disturb Tenant in its possession of the Premises upon Tenant's execution thereof and attornment to such mortgagee as Landlord and performance of its Lease covenants (which conditions Tenant agrees with all mortgagees to

perform). Upon such attornment, this Lease shall continue in full force and effect as a direct lease between the mortgagee and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease, except that the mortgagee shall not be (i) liable in any way to Tenant for any act or omission, neglect or default on the part of Landlord under this Lease, (ii) responsible for any monies owing by or on deposit with Landlord to the credit of Tenant, (iii) subject to any counterclaim or setoff which theretofore accrued to Tenant against Landlord, (iv) bound by any amendment or modification of this Lease subsequent to such mortgage, or by any previous prepayment of Rent for more than one (1) month, which was not approved in writing by the mortgagee, (v) liable beyond mortgagee's interest in the Property, (vi) responsible for the performance of any work to be done by the Landlord under this Lease to render the Premises ready for occupancy by the Tenant, or (vii) required to remove any person occupying the Premises or any part thereof, except if such person claims under the mortgagee. Tenant agrees that any present or future mortgagee may at its option unilaterally elect to subordinate, in whole or in part and by instrument in form and substance satisfactory to such mortgagee alone, the lien of its mortgagee (or the priority of its ground lease) to some or all provisions of this Lease.

Tenant agrees that this Lease shall survive the merger of estates of ground (or improvements) lessor and lessee. Until a mortgagee (either superior or subordinate to this Lease) forecloses Landlord's equity of redemption (or terminates or succeeds to a new lease in the case of a ground or improvements lease) no mortgagee shall be liable for failure to perform any of Landlord's obligations (and such mortgagee shall thereafter be liable only after it succeeds to and holds Landlord's interest and then only as limited herein). Tenant shall, if requested by Landlord or any mortgagee, give notice of any alleged non-performance on the part of Landlord to any such mortgagee provided that an address for such mortgagee has been designated to Tenant in writing, and Tenant agrees that such mortgagee shall have a separate, consecutive reasonable cure period of no less than thirty (30) days (to be reasonably extended in the same manner Landlord's cure period is to be extended and for such additional periods as is necessary to allow such Mortgagee to take possession of the Property) following Landlord's cure period during which such mortgagee may, but need not, cure any non-performance by Landlord. The agreements in this Lease with respect to the rights and powers of a mortgagee constitute a continuing offer to any person that may be accepted by taking a mortgage (or entering into a ground or improvements lease) of the Premises. This Section shall be self-operative, but in confirmation thereof, Tenant shall execute and deliver the subordination agreement in such form as any mortgagee may request.

16.2 Rent Assignment. If from time to time Landlord assigns this Lease or the rents payable hereunder to any person, whether such assignment is conditional in nature or otherwise, such assignment shall not be deemed an assumption by the assignee of any obligations of Landlord; but, subject to the limitations herein including Sections 16.01 and 10.02(b), the assignee shall be responsible only for non-performance of Landlord's obligations that occur after it succeeds to, and only during the period it holds possession of, Landlord's interest in the Premises after foreclosure or voluntary deed in lieu of foreclosure.

16.3 Other Instruments. The provisions of this Article shall be self-operative; nevertheless, Tenant agrees to execute, acknowledge and deliver any subordination, attornment or priority agreements or other instruments conforming to the provisions of this Lease (and being otherwise commercially reasonable) from time to time requested by Landlord or any mortgagee, and further agrees that its failure to do so within twenty (20) days after written request shall be a default for

which this Lease may be terminated without further notice. Without limitation, where Tenant in this Lease indemnifies or otherwise covenants for the benefit of mortgagees, such agreements are for the benefit of mortgagees as third-party beneficiaries; and at the request of Landlord, Tenant from time to time will confirm such matters directly with such mortgagee.

16.4 Estoppel Certificates. Within fifteen (15) days after Landlord's request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how); (ii) that this Lease has not been canceled or terminated; (iii) the last date of payment of Base Rent and other charges and the time period covered; (iv) that Landlord is not in default under this Lease (or if Tenant states that Landlord is in default, describing it in reasonable detail); and (v) such other information with respect to Tenant or this Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Property may require. Landlord may deliver any such statement by Tenant to any such prospective purchaser or encumbrancer, which may rely conclusively upon such statement as true and correct. If Tenant does not deliver such statement to Landlord within such fifteen (15) day period, Landlord, and any such prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as represented by Landlord; (ii) that this Lease has not been canceled or terminated except as otherwise represented by Landlord; (iii) that not more than one (1) month's Base Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under this Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

16.5 Tenant's Financial Condition. So long as Tenant is a company whose stock is traded on a public exchange, Tenant shall not be required to furnish Landlord with financial statements. Tenant's statement of net worth, as reported in its annual report to its shareholders or in any forms required to be submitted to the Securities and Exchange Commission, shall be acceptable in lieu of any financial statements otherwise required hereunder and shall be conclusive with respect to the items reported therein. In the event that Tenant's stock is not traded on a public exchange, Tenant, within twenty (20) days after request from Landlord from time to time, shall deliver to Landlord Tenant's annual financial statements for the latest available two (2) fiscal years, certified in writing by Tenant's chief financial officer; provided, however, that Tenant shall not be obligated to provide such financial statements more than once in any consecutive twelve month period except if there is an Event of Default. Landlord may deliver such financial statements to its investors, mortgagees, lenders and prospective mortgagees, lenders, investors and purchasers. Tenant represents and warrants to Landlord that each such financial statement shall be true and accurate as of its date. Except for publicly available information, Landlord shall use commercially reasonable efforts to maintain such financial statements on a confidential basis for the purposes set forth in this Section 16.05.

ARTICLE 17: MISCELLANEOUS PROVISIONS

17.1 Landlord's Consent Fees. In addition to fees and expenses in connection with Tenant Work, as described in Section 10.05, Tenant shall pay Landlord's reasonable, actual, out-of-pocket fees and expenses, including legal, engineering and other consultants' fees and expenses, incurred in connection with Tenant's request for Landlord's consent under Article 13 (Assignment and Subletting but up to a maximum of $3,000 pursuant to Article 13) or in connection with any other act by Tenant that requires Landlord's consent or approval under this Lease.

17.2 Notice of Landlord's Default. Landlord shall in no event be in default in the performance of any of Landlord's obligations under this Lease unless and until Landlord shall have failed to perform such obligations within thirty (30) days, or such additional time as is reasonably required to correct any such default, after notice by Tenant to Landlord properly specifying wherein Landlord has failed to perform any such obligation. It is the express understanding and agreement of the parties and a condition of Landlord's agreement to execute this Lease that in no event shall Tenant have the right to terminate this Lease or seek an abatement to or offset from Base Rent, Additional Rent or Rent as a result of Landlord's default, but Tenant shall be entitled to seek all other remedies, at law or equity, as a result of such default, subject to the terms and conditions of this Lease. Tenant hereby waives its right to recover punitive, special or consequential damages arising out any act, omission or default by Landlord (or any party for whom Landlord is responsible). This Lease and the obligations of Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of Force Majeure, and the time for Landlord's performance shall be extended for the period of any such delay. Any claim, demand, right or defense by Tenant that arises out of this Lease or the negotiations which preceded this Lease shall be barred unless Tenant commences an action thereon, or interposes a defense by reason thereof, within six (6) months after the date of the inaction, omission, event or action that gave rise to such claim, demand, right or defense.

17.3 Quiet Enjoyment. Landlord agrees that, so long as (i) Tenant is not in default under the terms of this Lease and (ii) this Lease is in full force and effect, Tenant shall lawfully and quietly hold, occupy and enjoy the Premises during the Term of this Lease without disturbance by Landlord or by any person claiming through or under Landlord, subject to the terms of this Lease and any encumbrances of record. The foregoing covenant of quiet enjoyment is in lieu of any other covenant, expressed or implied.

17.4 Interpretation. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" includes Tenant's agents, employees, contractors, invitees, successors, assigns or others using the Premises with Tenant's expressed or implied permission.

17.5 Notices. All notices, requests and other communications required under this Lease shall be in writing, addressed as specified in Article 1, and shall be (i) personally delivered, (ii) sent by certified mail, return receipt requested, postage prepaid, (iii) delivered by a national overnight delivery service that maintains delivery records or (iv) sent by telecopier or facsimile machine ("fax") that automatically generates a transmission report, with a copy also sent as described in clause (i), (ii) or (iii). All notices shall be effective upon delivery (or refusal to accept delivery); provided, however, that notice by fax or telecopy shall be effective when transmitted. Either party may change its notice address upon written notice to the other party.

17.6 No Recordation. Tenant shall not record this Lease but, if required by applicable law in order to protect Tenant's interest in the Premises, each party hereto agrees, on the request of the other, to execute a so-called memorandum of lease or short form lease in recordable form and complying with applicable law and reasonably satisfactory to Landlord's attorneys. The party requesting or requiring such recording shall pay all expenses, transfer taxes and recording fees. In no event shall such document set forth the rent or other charges payable by Tenant under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease and is not intended to vary the terms and conditions of this Lease.

17.7 Security Measures. Tenant acknowledges that except as otherwise provided herein, Landlord shall have no obligation to provide guard service or other security measures for the benefit of the Premises or the Property, and Landlord shall have no liability to Tenant due to its failure to provide such services. Tenant assumes all responsibility for the protection of Tenant, its agents, employees, contractors and invitees and the property of Tenant and of Tenant's agents, employees, contractors and invitees from acts of third parties. Landlord currently provides periodic patrolled security of the Building common areas and grounds from time to time throughout the day and night, the cost of which shall be included in Operating Expenses. Landlord reserves the right at any time or from time to time, in its sole discretion, to implement additional, modify or alter security measures for the Building, Property or any part thereof, in which event Tenant shall participate in such security measures and the cost thereof shall, as and to the extent provided in Section 8.01, be included within the definition of Operating Expenses, and to the maximum extent permissible by law, Landlord shall have no liability to Tenant and its agents, employees, contractors and invitees arising out of Landlord's provision of security measures. Landlord shall have the right, but not the obligation, to require all persons entering or leaving the Building to identify themselves to a security guard and to reasonably establish that such person should be permitted access to the Building.

17.8 Corporate Authority. If Tenant is a business entity, then the person or persons executing this Lease on behalf of Tenant jointly and severally warrant and represent in their individual capacities that (a) Tenant is duly organized, validly existing and in good standing under the laws of the jurisdiction in which such entity was organized; (b) Tenant has the authority to own its property and to carry on its business as contemplated under this Lease; (c) Tenant is in compliance with all laws and orders of public authorities applicable to Tenant; (d) Tenant has duly executed and delivered this Lease; (e) the execution, delivery and performance by Tenant of this Lease (i) are within the powers of Tenant, (ii) have been duly authorized by all requisite action, (iii) will not violate any provision of law or any order of any court or agency of government, or any agreement or other instrument to which Tenant is a party or by which it or any of its property is bound, and (iv) will not result in the imposition of any lien or charge on any of Tenant's property, except by the provisions of this Lease; and (f) the Lease is a valid and binding obligation of Tenant in accordance with its terms. Tenant, if a business entity, agrees that breach of the foregoing warranty and representation shall at Landlord's election be a default under this Lease for which there shall be no cure. Tenant shall from time to time, within ten (10) days after request by Landlord, deliver to Landlord any certification or other evidence requested from time to time by Landlord in its reasonable discretion, confirming Tenant's compliance with these provisions. This warranty and representation shall survive the termination of the Term. Upon execution of this Lease, Tenant shall provide a board resolution or other entity vote authorizing the execution of this Lease on behalf of Tenant and identifying the person authorized to execute this Lease on behalf of Tenant together with a clerk's or secretary's certificate indicating that such authorized person has in fact executed this Lease. If Tenant shall fail to provide such resolution or vote, then the person executing this Lease on behalf of Tenant shall be deemed to have represented and warranted to Landlord that such person is duly authorized to execute and deliver this Lease on behalf of Tenant.

17.9 Relocation. Landlord shall have the right at any time to relocate Tenant to any other leasable space in the Property (or Project) provided that said space shall be approximately the same size as the Premises and that Landlord shall pay the cost of moving Tenant's furniture and equipment to the new space. The new space shall include tenant improvements that are substantially equivalent to the tenant improvements contained in the Premises, and the cost of any required tenant

improvements shall be paid by Landlord. Landlord shall deliver substitute space to Tenant not more than one hundred eighty (180) days after Tenant approves plans for the construction of required tenant improvements at the new space, if any. Tenant shall not unreasonably withhold or delay its approval of any plans for the construction of tenant improvements. Landlord shall give Tenant not less than thirty (30) days advance notice of the estimated move in date. Prior to the date that Tenant is moved to the new space, Tenant shall remain in the Premises and shall continue to perform all of its obligations under this Lease. After Tenant moves into the new space, this Lease shall remain in full force and effect and be deemed applicable to such new space, except as to Base Rent, Tenant's share of Operating Expenses and Taxes, all of which shall be adjusted based on the relationship between the number of rentable square feet in the original Premises and the number of rentable square feet in the new space. Upon Tenant's election to be relocated, Landlord and Tenant shall amend this Lease to provide for the relocation of the Premises.

17.10 Joint and Several Liability; Right to Lease. If more than one (1) party signs this Lease as Tenant, they shall be jointly and severally liable for all obligations of Tenant. Landlord reserves the absolute right to effect such other tenancies in the Property as Landlord in its sole discretion shall determine, and Tenant is not relying on any representation that any specific tenant or number of tenants will occupy the Property.

17.11 Force Majeure. If Landlord cannot perform any of its obligations under this Lease due to an event(s) of Force Majeure, the time provided for performing such obligations shall be extended by a period of time equal to the duration of the events. In case Tenant is prevented or delayed from performing any covenant or duty to be performed on Tenant's part by reason of an event(s) of Force Majeure, Tenant shall not be deemed in default hereunder while such cause continues. The preceding sentence shall not apply to Tenant's covenants and obligations to pay rent, additional charges and/or other charges or sums due Landlord hereunder or required to be paid to third parties hereunder. The preceding sentence shall not be interpreted to diminish Landlord's rights hereunder to cure a breach of this Lease by Tenant or to recover the expense of such cure. As used in this Lease, an event or events of "Force Majeure" shall include strike or labor troubles, lockout, breakdown, accident, order, preemption or regulation of or by any governmental authority or failure to supply or inability by the exercise of reasonable diligence to obtain supplies, parts or employees necessary to furnish such services or because of war, civil commotion, or other emergency, or other extraordinary conditions of supply and demand, extraordinary weather conditions, so-called acts of God, or for any other cause beyond the party's reasonable control.

17.12 Limitation of Warranties. Landlord and Tenant expressly agree that there are and shall be no implied warranties of merchantability, habitability, suitability, fitness for a particular purpose or of any other kind arising out of this Lease, and there are no warranties that extend beyond those expressly set forth in this Lease.

17.13 No Other Brokers. Landlord and Tenant represent and warrant to each other that the Broker(s) named in Article 1 and Landlord's Managing Agent are the only agents, Broker(s), finders or other parties with whom such party has dealt who may be entitled to any commission or fee with respect to this Lease or the Premises or the Property. Landlord and Tenant agree to indemnify and hold the other harmless from any claim, demand, cost or liability, including attorneys' fees and expenses, asserted by any party other than the Broker(s) named in Article 1 and Landlord's Managing Agent based upon dealings of that party with the indemnifying party. Landlord shall be responsible for the payment of any brokerage fees to the Broker(s) named in Article 1 and Landlord's Managing Agent. The provisions of this Section shall survive the Term or early termination of this Lease.

17.14 Applicable Law and Construction. This Lease may be executed in counterparts, shall be construed as a sealed instrument, and shall be governed exclusively by the provisions hereof and by the laws of the state where the Property is located without regard to principles of choice of law or conflicts of law. A facsimile signature to this Lease shall be sufficient to prove the execution by a party. The covenants of Landlord and Tenant are independent, and such covenants shall be construed as such in accordance with the laws of the state where the Property is located. If any provisions shall to any extent be invalid, the remainder shall not be affected. Other than contemporaneous instruments executed and delivered of even date, if any, this Lease contains all of the agreements between Landlord and Tenant relating in any way to the Premises and supersedes all prior agreements and dealings between them. There are no oral agreements between Landlord and Tenant relating to this Lease or the Premises. This Lease may be amended only by instrument in writing executed and delivered by both Landlord and Tenant. The provisions of this Lease shall bind Landlord and Tenant and their respective successors and assigns, and shall inure to the benefit of Landlord and its successors and assigns and of Tenant and its permitted successors and assigns, subject to Article 13. The titles are for convenience only and shall not be considered a part of the Lease. This Lease shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared primarily by counsel for one of the parties, it being recognized that both Landlord and Tenant have contributed substantially and materially to the preparation of this Lease. If Tenant is granted any extension or other option, to be effective the exercise (and notice thereof) shall be unconditional; and if Tenant purports to condition the exercise of any option or to vary its terms in any manner, then the option granted shall be void and the purported exercise shall be ineffective. The enumeration of specific examples of a general provisions shall not be construed as a limitation of the general provision. Unless a party's approval or consent is required by the express terms of this Lease not to be unreasonably withheld, such approval or consent may be withheld in the party's sole discretion. The submission of a form of this Lease or any summary of its terms shall not constitute an offer by Landlord to Tenant; but a leasehold shall only be created and the parties bound when this Lease is executed and delivered by both Landlord and Tenant and approved by the holder of any mortgagee of the Premises having the right to approve this Lease. Nothing herein shall be construed as creating the relationship between Landlord and Tenant of principal and agent, or of partners or joint venturers or any relationship other than landlord and tenant. This Lease and all consents, notices, approvals and all other related documents may be reproduced by any party by any electronic means or by facsimile, photographic, microfilm, microfiche or other reproduction process and the originals may be destroyed; and each party agrees that any reproductions shall be as admissible in evidence in any judicial or administrative proceeding as the original itself (whether or not the original is in existence and whether or not reproduction was made in the regular course of business), and that any further reproduction of such reproduction shall likewise be admissible. If any payment in the nature of interest provided for in this Lease shall exceed the maximum interest permitted under controlling law, as established by final judgment of a court, then such interest shall instead be at the maximum permitted interest rate as established by such judgment. The term "Term" includes the Initial Term as it may be extended pursuant to Section 3.03.

17.15 Construction on the Property or Adjacent Property. Tenant acknowledges that Landlord is undertaking, or may undertake in the future, certain renovations in the Building or on or about the

Property (the "Project") including the right to make changes to the size, shape, location, number and extent of the improvements comprising the Property. In connection therewith, Landlord may, among other things, erect scaffolding or other necessary structures at the Property, limit or eliminate access to portions of the Property, including portions of the common areas, or perform work in or about the Building, which work may create noise, dust or leave debris in the Building. Landlord and its agents, employees, licensees and contractors shall also have the right to enter on the Property or Building to undertake work pursuant to any easement granted pursuant to the above paragraph; to shore up the foundations and/or walls of the Building; to erect scaffolding and protective barricades around, within or adjacent to the Building; and to do any other act necessary for the safety of the Building or the expeditious completion of such work. Tenant hereby agrees that such work and Landlord's actions in connection therewith shall in no way constitute a constructive eviction of Tenant or entitle Tenant to any abatement of rent. Although Landlord shall use commercially reasonable efforts to minimize any material interference of Tenant's use or occupancy of or access to the Premises, 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 foregoing work, nor shall Tenant be entitled to any compensation or damages from Landlord for any inconvenience or annoyance occasioned by such work or Landlord's actions in connection therewith. Landlord shall have the right, in connection with the development, redevelopment, alteration, improvement, operation, maintenance, or repair of the Building, the Property or the Project, to subject the Property to easements for the construction, reconstruction, alteration, improvement, operation, repair or maintenance of elements thereof, for access and egress for parking, for the installation, maintenance, repair, replacement or relocation of utilities serving the Building, the Property or the Project and to subject the Property to such other rights, agreements, and covenants for such purposes as Landlord may determine. Tenant hereby agrees that this Lease shall be subject and subordinate to any such matters that do not unreasonably interfere with or interrupt Tenant's use of the Premises. The foregoing sentence shall be self-operative, but Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact to execute, acknowledge and deliver any documents appropriate to accomplish or confirm the same if Tenant fails to do so within ten (10) days after request therefor. Neither Tenant nor any persons acting under Tenant shall take any action to oppose the Project, nor shall the Tenant knowingly permit any persons acting under Tenant to take any action in opposition to the Project.

17.16 Vacancy at End of Term. If Tenant vacates substantially all of the Premises (or substantially all of a major portion of the Premises, including a floor of the Building) at any time within the last six (6) months of the Term, Landlord may enter the vacated Premises (or such portions) and commence demolition work or construction of leasehold improvements for future tenants, provided that such entry does not materially interfere with any continuing operations of Tenant in any other portions of the Premises. The exercise of such right by Landlord will not affect Tenant's obligations to pay Base Rent or Additional Rent with respect to the Premises vacated (or such portions), which obligations shall continue without abatement until the end of the Term.

17.17 Confidentiality. Tenant acknowledges and agrees that the terms of this Lease are confidential. Disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate other leases with respect to the Building and may impair Landlord's relationship with other tenants of the Building. Tenant agrees that it and its partners, officers, directors, employees, brokers, and attorneys, if any, shall not disclose the terms and conditions of this Lease to any other person or entity without the prior written consent of Landlord which may be given or withheld by Landlord, in

Landlord's sole discretion, except as required for financial disclosures or securities filings. It is understood and agreed that damages alone would be an inadequate remedy for the breach of this provision by Tenant, and Landlord shall also have the right to seek specific performance of this provision and to seek injunctive relief to prevent its breach or continued breach.

17.18 OFAC CERTIFICATION AND INDEMNITY. Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order"), and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 10756, the "Patriot Act") prohibit certain property transfers. Tenant hereby represents and warrants to Landlord (which representations and warranties shall be deemed to be continuing and re-made at all times during the Term) that neither Tenant nor any Ultimate Parent Entity (as that term is defined in The Hart-Scott-Rodino Act), manager, beneficiary, partner, or principal of Tenant is subject to the Executive Order, that none of them is listed on the United States Department of the Treasury Office of Foreign Assets Control ("OFAC") list of "Specially Designated Nationals and Blocked Persons" as modified from time to time, and that none of them is otherwise subject to the provisions of the Executive Order or the Patriot Act. The most current list of "Specially Designated Nationals and Blocked Persons" can be found at http://www.treas.gov/offices/eotffc/ofac/sdn/index.html. Tenant shall from time to time, within ten days after request by Landlord, deliver to Landlord any certification or other evidence requested from time to time by Landlord in its reasonable discretion, confirming Tenant's compliance with these provisions. No assignment or subletting shall be effective unless and until the assignee or subtenant thereunder delivers to Landlord written confirmation of such party's compliance with the provisions of this subsection, in form and content satisfactory to Landlord. If for any reason the representations and warranties set forth in this subsection, or any certificate or other evidence of compliance delivered to Landlord hereunder, is untrue in any respect when made or delivered, or thereafter becomes untrue in any respect, then an event of default hereunder shall be deemed to occur immediately, and there shall be no opportunity to cure. Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord, and hold Landlord harmless from and against, any and all liabilities, losses claims, damages, penalties, fines, and costs (including attorneys' fees and costs) arising from or related to the breach of any of the foregoing representations, warranties, and duties of Tenant. The provisions of this subsection shall survive the expiration or earlier termination of this Lease for the longest period permitted by law.

17.19 WAIVER OF JURY TRIAL. LANDLORD AND TENANT HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD AGAINST TENANT OR TENANT AGAINST LANDLORD ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, OR REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT.

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Executed to take effect as a sealed instrument on the Date of Lease first set forth above.

LANDLORD:

ONE LEDGEMONT LLC

By: /s/ Robert L. Beal
Name: Robert L. Beal
Title: Authorized Signatory

TENANT:

XENETIC BIOSCIENCE, INCORPORATED

By: /s/ Colin Hill
Name: Colin Hill
Title: Chief Financial Officer
Duly Authorized

Exhibit A

Plan of Leased Premises

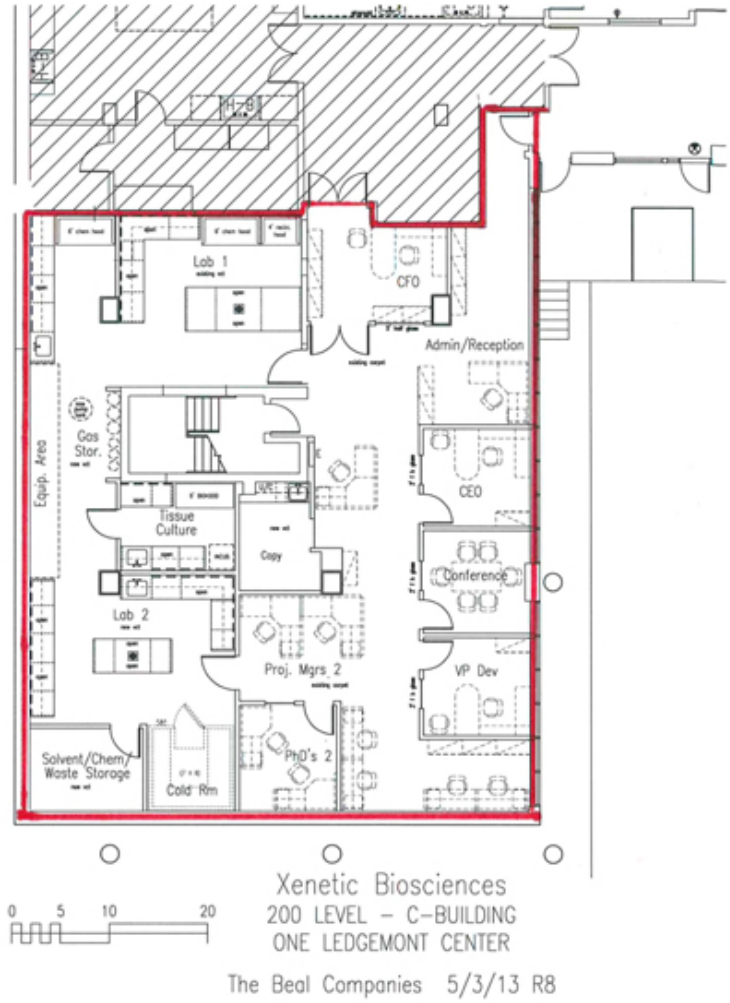


Exhibit B

Rules and Regulations

1. If Tenant requires telephone, data, burglar alarm or similar service, the cost of purchasing, installing and maintaining such service shall be borne solely by Tenant. No boring or cutting for wires will be allowed without the prior written consent of Landlord. Landlord shall direct electricians as to where and how telephone, data, and electrical wires are to be introduced or installed. The location of burglar alarms, telephones, call boxes or other office equipment affixed to the Premises shall be subject to the prior written approval of Landlord

2. Tenant shall not place a load upon any floor of its Premises, including mezzanine area, if any, which exceeds the load per square foot that such floor was designed to carry and that is allowed by law. Heavy objects shall stand on such platforms as determined by Landlord to be necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such equipment or other property from any cause, and all damage done to the Building by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

3. Tenant shall not install any radio or television antenna, satellite dish, loudspeaker or other device on the roof or exterior walls of the Building without Landlord's prior written consent which consent shall be in Landlord's sole discretion.

4. Tenant shall not mark, drive nails, screw or drill into the partitions, woodwork, plaster or drywall (except for pictures and general office uses) or in any way deface the Premises or any part thereof. Tenant shall not affix any floor covering to the floor of the Premises or paint or seal any floors in any manner except as approved by Landlord. Tenant shall repair any damage resulting from noncompliance with this rule.

5. No cooking shall be done or permitted on the Premises, except that Underwriters' Laboratory approved microwave ovens or equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted, provided that such equipment and use is in accordance with all applicable federal, state and city laws, codes, ordinances, rules and regulations.

6. All trash and refuse shall be contained in suitable receptacles at locations approved by Landlord. Tenant shall not place in the trash receptacles any personal trash or material that cannot be disposed of in the ordinary and customary manner of removing such trash without violation of any law or ordinance governing such disposal.

7. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governing authority.

8. Tenant assumes all responsibility for securing and protecting its Premises and its contents including keeping doors locked and other means of entry to the Premises closed.

9. Tenant shall not use any method of heating or air conditioning other than that supplied by Landlord without Landlord's prior written consent.

10. No person shall go on the roof without Landlord's permission.

11. Canvassing, soliciting, distribution of handbills or any other written material in the Building or Project Area is prohibited and each tenant shall cooperate to prevent the same. No tenant shall solicit business from other tenants or permit the sale of any goods or merchandise in the Building or Project Area without the written consent of Landlord.

12. Any equipment belonging to Tenant which causes noise or vibration that may be transmitted to the structure of the Building or to any space therein to such a degree as to be objectionable to Landlord or to any tenants in the Building shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate the noise or vibration.

13. Driveways, sidewalks, halls, passages, exits, entrances and stairways ("Access Areas") shall not be obstructed by tenants or used by tenants for any purpose other than for ingress to and egress from their respective premises. Access areas are not for the use of the general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, character, reputation and interests of the Building or its tenants.

14. Landlord reserves the right to designate the use of parking areas and spaces. Tenant shall not park in visitor, reserved, or unauthorized parking areas. Tenant and Tenant's guests shall park between designated parking lines only and shall not park motor vehicles in those areas designated by Landlord for loading and unloading. Vehicles in violation of the above shall be subject to being towed at the vehicle owner's expense. Vehicles parked overnight without prior written consent of the Landlord shall be deemed abandoned and shall be subject to being towed at vehicle owner's expense. Tenant will from time to time, upon the request of Landlord, supply Landlord with a list of license plate numbers of vehicles owned or operated by its employees or agents.

15. No trucks, tractors or similar vehicles can be parked anywhere other than in Tenant's own truck dock area. Tractor-trailers which must be unhooked or parked with dolly wheels beyond the concrete loading areas must use steel plates or wood blocks under the dolly wheels to prevent damage to the paving surfaces. No parking or storing of such trailers will be permitted in the parking areas or on streets adjacent thereto.

16. No sign, placard, picture, advertisement, name or notice (collectively referred to as "Signs") shall be installed or displayed on any part of the outside of the Building without the prior written consent of the Landlord which consent shall be in Landlord's sole discretion. All approved Signs shall be printed, painted, affixed or inscribed at Tenant's expense by a person or vendor approved by Landlord and shall be removed by Tenant at Tenant's expense upon vacating the Premises. Landlord shall have the right to remove any Sign installed or displayed in violation of this rule at Tenant's expense and without notice. Subject to approval by Landlord and by the Town of Lexington, Tenant will have the right to signage similar to that of other tenants of the Building. All such signage will be installed, maintained, and, at the end of the Term, removed by Tenant at its sole expense, with Tenant repairing any damage caused by same.

17. During periods of loading and unloading, Tenant shall not unreasonably interfere with traffic flow and loading and unloading areas of other tenants. All products, materials or goods must be stored within the Tenant's Premises and not in any exterior areas, including, but not limited to, exterior dock platforms, against the exterior of the Building, parking areas and driveway areas. Tenant agrees to keep the exterior of the Premises clean and free of nails, wood, pallets, packing materials, barrels and any other debris produced from their operation.

18. Tenant shall not permit any motor vehicles to be washed or mechanical work or maintenance of motor vehicles to be performed on any portion of the Premises or parking lot.

19. Tenant shall not permit smoking or carrying of lighted cigarettes or cigars in areas reasonably designated by Landlord or any applicable governmental agencies as non-smoking areas.

20. Canvassing, soliciting, distribution of handbills or any other written material in the Building or Project Area is prohibited and each tenant shall cooperate to prevent the same. No tenant shall solicit business from other tenants or permit the sale of any goods or merchandise in the Building or Project Area without the written consent of Landlord.

21. Tenant shall not permit any animals, other than seeing-eye dogs, to be brought or kept in or about the Premises or any common area of the property.

22. Tenant shall not alter any lock or other access device or install a new or additional lock or access device or bolt on any door of its Premises without the prior written consent of Landlord. Tenant, upon the termination of its tenancy, shall deliver to Landlord the keys or other means of access to all doors.

23. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of any premises in the Building. Landlord may waive any one or more of these Rules and Regulations for the benefit of any tenant or tenants, and any such waiver by Landlord shall not be construed as a waiver of such Rules and Regulations for any or all tenants.

24. Landlord reserves the right to make such other and reasonable rules and regulations as in its judgment may from time to time be needed for safety and security, for care and cleanliness of the Building and for the preservation of good order in and about the Building. Tenant agrees to abide by all such rules and regulations herein stated and any additional rules and regulations which are adopted. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant’s employees, agents, clients, customers, invitees and guests.

Exhibit C

Rules and Regulations for Design and Construction of Tenant Work

1. **DEFINITIONS**

1.1 Building:	128 Spring Street, Ledgemont I.
1.2 Property Manager:	Beal and Company, Inc., or such other individual/entity as landlord may designate, from time to time.
1.3 Consultant:	Any architectural, engineering or design consultant engaged by a Tenant in connection with Tenant Work.
1.4 Contractor:	Any Contractor engaged by Tenant of the Building for the performance of any Tenant Work, and any Subcontractor employed by any such Contractor.
1.5 Plans:	All architectural, electrical and mechanical construction drawings and specifications required for the proper construction of the Tenant Work.
1.6 Regular Business Hours:	Monday through Friday, 8:00 a.m. through 6:00 p.m., holidays and weekends excluded.
1.7 Tenant:	Any occupant of the Building.
1.8 Tenant Work:	Any alterations, improvements, additions, repairs or installations on the building performed by or on behalf of any Tenant.
1.9 Tradeperson:	Any employee (including, without limitation, any mechanic laborer, or Tradeperson) employed by a Contractor performing Tenant Work.

2. **GENERAL**

2.1 All Tenant Work shall be performed in accordance with these Rules and Regulations and the applicable provisions of the Lease and to current local and state code.

2.2 The provisions of these Rules and Regulations shall be incorporated in all agreements governing the performance of all Tenant Work, including, without limitation, any agreements governing services to be rendered by each Contractor and Consultant.

2.3 Except as otherwise provided in these Rules and Regulations, all inquires, submissions and approvals in connection with any Tenant Work shall be processed through the Property Manager.

3. **INTENTIONALLY OMITTED.**

4. **RECONSTRUCTION NOTIFICATION AND APPROVALS**

4.1 Approval to Commence Work:

A) Tenant shall submit to Property Manager, for the approval of the Landlord, the names of all prospective Contractors and Certificates of Insurance, prior to issuing any bid packages to such Contractors.

B) No Tenant Work shall be undertaken by any Contractor or Tradeperson unless and until all the matters set forth in Section 4.2 below have been received for the Tenant Work in question and unless the Property Manager has approved the matters set forth in Section 4.2 below.

4.2 No Tenant Work shall be performed unless, at least two (2) weeks before any Tenant Work is to begin, all of the following have been provided to the Property Manager and approved. In the event that Tenant proposes to change any of the following, the Property Manager shall be immediately notified of such change and such change shall be subject to the approval of the Property Manager:

A) Schedule for the work, indication start and completion dates, any phasing and special working hours, and also a list of anticipated shutdowns of building systems.

B) List of all Contractors and Subcontractors, including addresses, telephone numbers, emergency (after hours) telephone numbers, trades employed, and the union affiliation, if any, of each Contractor and Subcontractor.

C) Names and telephone numbers of the supervisors of the work.

D) Copies of all necessary governmental permits, licenses and approvals.

E) Proof of current insurance, to the limits set out in Exhibit D to the Lease and Regulations, naming Landlord (One Ledgemont LLC) and Landlord's designees as additional insured parties.

F) Notice of the involvement of any Contractor in any ongoing threatened labor dispute.

G) Payment, Performance and Lien Bonds from sureties acceptable to Landlord, in form acceptable to Landlord, naming Landlord as an additional obligee.

H) Evidence that Tenant has made provision for either written waivers of lien from all Contractors and suppliers of material, or other appropriate protective measures approved by Landlord.

I) A pre-existing condition survey as specified in Section 7.2(C).

4.3 Reporting Incidents: All accidents, disturbances, labor disputes or threats thereof, and other noteworthy events pertaining to the Building or the Tenant's property shall be reported immediately to the Property Manager. A written report must follow within twenty-four (24) hours.

5. CONSTRUCTION SCHEDULE

5.1 Coordination:

A) All Tenant Work shall be carried out expeditiously and with minimum disturbance and disruption to the operation of the Building and without causing discomfort, inconvenience, or annoyance to any of the other tenants or occupants of the Building or the public at large.

B) All schedules for the performance of construction, including materials deliveries, must be coordinated through the Property Manager. The Property Manager shall have the right, without incurring any liability to any Tenant, to stop activities and/or to require rescheduling of Tenant Work based upon adverse impact on the tenants or occupants of the Building or on the maintenance or operation of the Building.

C) If any Tenant Work requires the shutdown of risers and mains for electrical, mechanical, sprinkler, and plumbing work, such work shall be supervised by a representative of Landlord, the cost of which shall be charged directly to the tenant at the prevailing building rate. No Tenant Work will be performed in the Building's mechanical or electrical equipment rooms without both Landlord's prior approval and the supervision of a representative of Landlord, the cost of which shall be reimbursed by the Tenant to the Landlord. Tenant shall provide the Property Manager with at least one week to schedule such work.

5.2 Time Restrictions:

A) Subject to Section 5.1 of these Rules and Regulations, general construction work will generally be permitted at all times, unless such work affects other tenants or occupants of the building or poses a safety concern at which time it will need be scheduled during non-business hours.

B) Tenant shall provide the Property Manager with at least forty eight (48) hours notice before proceeding with Special Work, as hereinafter defined, and such Special Work will be permitted only at times agreed to by the Property Manager during periods outside of Regular Business Hours. "Special Work" shall be defined as the following operations:

1. All utility disruptions, shutoffs and turnovers.

2. Activities involving high levels of noise, including demolition, coring, drilling and ramsetting.

3. Activities resulting in excessive dust or odors, including demolition, staining and spray painting.

4. All construction work which will require access to multi-tenant areas or other tenant areas.

C) The delivery of construction materials to the Building, their distribution within the Building, and the removal of waste materials shall also be confined to periods outside Regular Business Hours, unless otherwise specifically permitted in writing by the Property Manager. Costs for use of the freight elevator after Regular Business Hours shall be billed directly to such tenant at the then prevailing rate.

D) If coordination, labor disputes or other circumstances require, the Property Manager may change the hours during which regular construction work can be scheduled and/or restrict or refuse entry to and exit from the Building by any Contractor.

6. **CONTRACTOR PERSONNEL**

6.1 Work in History:

A) All Contractors shall be responsible for employing skilled and competent personnel and suppliers who shall abide by the rules and regulations herein set forth as amended from time to time by Landlord.

B) No Tenant shall at any time, either directly or indirectly, employ, permit the employment, or continue the employment of any contractor if such employment or continued employment will or does interfere or cause any labor disharmony, coordination difficulty, delay or conflict with any other contractors engaged in construction work in or about the Building or the complex in which the Building is located.

C) Should a work stoppage or other action occur anywhere in or about the Building as a result of the presence, anywhere in the Building, or a Contractor engaged directly or indirectly by a Tenant, or should such Contractor be deemed by Landlord to have violated any applicable rules or regulations, then upon twelve hours written notice, Landlord may, without incurring any liability to Tenant or said contractor, require any such Contractor to vacate the premises demised by such Tenant and the Building, and to cease all further construction work therein.

6.2 Conduct:

A) While in or about the Building, all Tradepersons shall perform in a dignified, quiet, courteous, and professional manner at all times. Tradepersons shall wear clothing suitable for their work and shall remain full attired at all times. All Contractors will be responsible for their Tradepersons' proper behavior and conduct.

B) The Property Manager reserves the right to remove any one who, or any contractor which; is causing a disturbance to any tenant or occupant of the Building or any other person using or servicing the Building; is interfering with the work of others; or is in any other way displaying conduct or performance not compatible with the Landlord's standards.

6.3 Access:

A) All Contractors and Tradepersons shall contact the Property Manager prior to commencing work, to confirm work location and Building access, including elevator usage and times of operation. Access to the Building before and after Regular Business Hours or any other hours designated from time to time by the Property Manager and all day on weekends and holidays will only be provided when forty-eight (48) hours advanced notice is given to the Property Manager.

B) No Contractor or Tradepersons will be permitted to enter any private or public space in the Building, other than the common areas of the Building necessary to give direct access to the premises of Tenant for which he has been employed, without the prior approval of the Property Manager.

C) All Contractors and Tradepersons must obtain permission from the Property Manager prior to undertaking work in any space outside of the Tenant's premises. This requirement specifically includes ceiling spaces below the premises where any work required must be undertaken at the convenience of the affected Tenant and outside of Regular Business Hours. Contractors undertaking such work shall ensure that all work, including work required to reinstate removed items and cleaning, be completed prior to opening of the next business day. Any cleaning or repairs costs incurred by Landlord, as a result of work outside the construction area shall be charged to the Tenant.

D) Contractors shall ensure that all furniture, equipment and accessories in areas potentially affected by any Tenant Work shall be adequately protected by means of drop cloths or other appropriate measures. In addition, all Contractors shall be responsible for maintaining security to the extent required by the Property Manager.

E) Temporary access doors for tenant construction areas connecting with a public corridor will be building standards, i.e., door, frame, hardware and lockset. A copy of the key will be furnished to the Property Manager.

6.4 Safety:

A) All Contractors shall police ongoing construction operations and activities at all times, keeping the premises orderly, maintaining cleanliness in and about the premises, and ensuring safety and protection of all areas, including truck docks, elevators, lobbies, and all other public areas which are used for access to the premises.

B) All Contractors shall appoint a supervisor who shall be responsible for all safety measures, as well as for compliance with all applicable government laws, ordinances, rules and regulations such as, for example, “OSHA” and “Right-to-Know” legislation.

C) Any damage caused by Tradepersons or other Contractor employees shall be the responsibility of the Tenant employing the Contractor. Costs for repairing such damage shall be charged directly to such Tenant.

6.5 Parking:

A) No parking of contractor or sub-contractor vehicles will be provided in the truck dock, handicapped or fire access lanes, or any private ways in or surrounding the property. Vehicles so parked will be towed at the expense of the Tenant who has engaged the Contractor for whom the owner of such vehicle is employed.

B) Garage parking is available on-site.

7. **BUILDING MATERIALS**

7.1 Delivery:

A) All deliveries of construction materials shall be made at the predetermined times approved by the Property Manager and shall be effected safely and expeditiously only at the location determined by the Property Manager.

7.2 Transportation in Building:

A) Distribution of materials from delivery point to the work area in the Building shall be accomplished with the least disruption to the operation of the Building possible. Elevators will be assigned for material delivery and will be controlled by the Building Management.

B) Contractors shall provide adequate protection to all carpets, wall surfaces, doors and trim in all public areas through which materials are transported. Contractors shall continuously clean all such areas. Protective measures shall include runners over carpet, padding in elevators and any other measures determined by the Property Manager.

C) Any damage caused to the Building through the movement of construction materials or otherwise shall be the responsibility of Tenant who has engaged the Contractor involved. Charges for such damage will be submitted by the Landlord directly to the Tenant. Prior to the commencement of tenant work, a pre-existing condition survey shall be submitted to the Property Manager. Such survey shall be used at the completion of the project to determine, if any, the extent of damage to the building systems or finishes.

7.3 Storage and Placement:

A) All construction materials shall be stored only in the premises where they are to be installed. No storage of materials will be permitted in any public areas, loading docks or corridors leading to the premises.

B) No flammable, toxic, or otherwise hazardous materials may be brought in or about the Building unless all of the following are met: (i) authorized by the Property Manager, (ii) all applicable laws, ordinances, rules and regulations are complied with, and (iii) all necessary permits have been obtained. All necessary precautions shall be taken by the contractor handling such materials against damage or injury caused by such materials.

C) All materials required for the construction of the premises must comply with Building Standards, must conform with the plans and specifications approved by Landlord, and must be installed in the locations shown on the drawings approved by the Landlord.

D) All work shall be subject to supervision and inspection by Landlord's Representative.

E) No alterations to approved plans will be made without prior knowledge and approval of the Property Manager. Such changes shall be documented on the as-build drawings required to be delivered to Landlord pursuant to Paragraph 10 of the rules and regulations.

F) All protective devices (e.g., temporary enclosures and partitions) and materials, as well as their placement, must be approved by the Property Manager.

G) It is the responsibility of Contractors to ensure that the temporary placement of materials does not impose a hazard to the Building or its occupants, either through overloading, or interference with Building systems, access, egress or in any other manner whatsoever.

H) All existing and/or new openings made through the floor slab for piping, cabling, etc. must be sealed per code. All holes in the floor slab at abandoned floor outlets, etc. need to be filled with solid concrete.

7.4 Salvage and Waste Removal:

A) All rubbish, waste and debris shall be neatly and cleanly removed from the Building by Contractors daily unless otherwise approved by the Property Manager. The Building's trash compactor shall not be used for construction or other debris. For any demolition and debris, each Contractor must make arrangements with the Property Manager for the scheduling and location of an additional dumpster to be supplied at

the cost of the Tenant engaging such Contractor. Where, in the opinion of the Property Manager, such arrangements are not practical, such Contractors will make alternative arrangements for removal at the cost of the Tenant engaging such Contractors.

B) Toxic or flammable materials are to be properly removed daily and disposed of in full accordance with all applicable laws, ordinances, rules and regulations.

C) Contractors shall, prior to removing any item (including, without limitation, building standard doors, frames and hardware, light fixtures, ceiling diffusers, ceiling exhaust fans, sprinkler heads, fire horns, ceiling speakers and smoke detectors) from the Building, notify the Property Manager that it intends to remove such item. At the election of Property Manager, Contractors shall deliver any such items to the Property Manager. Such items will be delivered, without cost, to an area designated by the Property Manager which area shall be within the Building or the complex in which the Building is located.

8. **PAYMENT OF CONTRACTORS**

Tenant shall promptly pay the cost of all Tenant Work so that Tenant's premises and the Building shall be free of liens for labor or materials. If any mechanic's lien is filed against the Building or any part thereof which is claimed to be attributable to the Tenant, its agents, employees or contractors, Tenant shall give immediate notice of such lien to the Landlord and shall promptly discharge the same by payment or filing any necessary bond within 10 days after Tenant has first notice of such mechanic's lien.

9. **CONFLICT BETWEEN RULES AND REGULATIONS AND LEASE**

In the event of any conflict between the Lease and these Rules and Regulations, the terms of the Lease shall control.

10. **GENERAL**

10.1. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of any premises in the Building. Landlord may waive any one or more of these Rules and Regulations for the benefit of any tenant or tenants, and any such waiver by Landlord shall not be construed as a waiver of such Rules and Regulations for any or all tenants.

10.2. Landlord reserves the right to make such other and reasonable rules and regulations as in its judgment may from time to time be needed for safety and security, for care and cleanliness of the Building and for the preservation of good order in and about the Building. Tenant agrees to abide by all such rules and regulations herein stated and any additional rules and regulations which are adopted. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant's employees, agents, clients, customers, invitees and guests.

SCHEDULE A OF EXHIBIT C

RULES AND REGULATIONS

FOR DESIGN AND CONSTRUCTION OF TENANT WORK

Ledgemont Center

BASE BUILDING CHARGES

Contractors desiring to work on the Building Systems must coordinate all work with the Management Office at 781-861-7786.

All work must be scheduled a minimum of one week prior to the start of work. A work order will be issued listing the system affected and the time of shutdown. No work will commence until the work order has been signed by an authorized representative of the construction company.

Contractors must obtain credit approval from the Management Office prior to any work authorization.

	Fire Alarm Shutdown	Reconnect Shutdown
8:00 a.m. to 5:00 p.m.	$ 125.00	N/C
5:00 p.m. to 8:00 a.m.	$ 175.00	$ 175.00
Saturday	$ 225.00	$ 225.00
Sunday	$ 250.00	$ 250.00

Labor charge (per person) for Fire Alarm Watch or Sprinkler System Shutdown (required when servicing or testing any life safety device):

8:00 a.m. to 5:00 p.m.	$40.00 per hour
5:00 p.m. to 8:00 a.m.	$60.00 per hour
Saturday	$60.00 per hour
Sunday	$80.00 per hour

Contractor may not proceed with any work until authorization to begin work has been obtained from the Management Office. A separate request is to be issued for each day in which the Life Safety work is being performed.

Contractor will be fined $1,500.00 for each and every false alarm caused by contractors employees or their actions. Contractor will be fined $500.00 for every smoke detector covered by the contractor or their subcontractors.

$30.00 Per Hr (3 Hr Min) Contractors must pay a minimum of $1,500.00 to repair the elevator cabs if damaged.

SCHEDULE B OF EXHIBIT C

RULES AND REGULATIONS
FOR DESIGN AND CONSTRUCTION OF TENANT WORK

INSTALLATION OF CABLES

1.1 Computer and Telephone Cables

1.1.1 Layout

A layout of cables must be submitted to the Property Manager for approval prior to installation.

1.1.2 Installation

A) Cables installed above the ceiling must be Teflon coated or encased in metal conduit.

B) Cables must be tagged every 15’ and color coded.

C) Cables must be properly affixed to the framing above the duct work so that they are self-supporting. Do not fasten to light fixtures.

D) Cables must not sag and will be installed in the shortest possible runs.

E) Connections (connectors, splices, etc.) must be securely installed so that they will not pull apart if cable is accidentally touched or pulled.

1.2 Electrical Floor Outlet Cables

1.2.1 Layout

A layout of cables must be submitted to the Property Manager for approval prior to installation.

1.2.2 Installation

A) Cables must be tagged every 15’ and color coded.

B) Runs will be as short and as free of slack as possible secured per code requirements.

C) Cables are to be installed in tenant’s own ceiling then down partitions into the ceiling of the tenant below.

D) Cables must be properly secured so that they are self supporting.

E) All connections (connectors, splices, etc.) must be located in the tenant's own space to avoid damage from below.

F) Cables must be secured with clamps where they pass through the floor to prevent connections from separating.

G) Where feasible, install cables above duct work and other materials in the ceiling.

1.1 Electrical Work

1.3.1 All power wiring in Mechanical Rooms, Electric Rooms and Telephone rooms must be in EMT.

1.4 Security System

1.4.1 Layout

A layout of the security system wiring must be submitted to the Property Manager for approval prior to installation.

1.4.2 Installation

A) All wiring for the security system will be tagged every 15'.

SCHEDULE C OF EXHIBIT C

RULES AND REGULATIONS

FOR DESIGN AND CONSTRUCTION OF TENANT WORK

1. WELDING AND HEAT CUTTING WORK

1.1 Definition

Welding and heat cutting activities as well as soldering and brazing shall be included in "Special Work" category as defines in Section 5.2(B). They require the tenant to provide the Property Manager with at least forty eight (48) hours notice before proceeding and must be performed during periods outside of regular business hours.

1.2 Permitting

The Contractor must obtain a permit from the Lexington Fire Department before commencing work.

1.3 Precautions

Because welding and other hot work is a fire hazard, the Contractor must observe the following precautions and procedures (when possible, work should be done in a non-combustible area):

A) No sprinkler impairments are allowed during "Special Work" and while the fire watch is in place. The sprinkler impairment restriction is for the floor the "Special Work" is taking place on and the floor above and the floor below.

B) Smoke Detectors in the work area should be de-activated by the Building Manager for the duration of the work. The Property Manager will re-activate smoke detectors when the work is complete.

C) Combustible materials shall be located at least fifty (50) feet from hot work operations and shall be covered with non-combustible materials.

D) All flammable liquids and other hazards must be removed.

E) All floor and wall openings must be covered with non-combustible material.

F) Containers, tanks, ducts, etc. must be cleaned and purged of flammable vapors, liquids, dusts etc.

G) A minimum of one multipurpose ABC rated portable fire extinguisher must be provided within ten (10) feet of the work area. The extinguisher should

be fully charged and have been properly serviced within the last year. It is the responsibility of the contractor to provide fire extinguishers. Building extinguishers should not be used. A standpipe hose should also be readily available.

H) A fire watch should be maintained on the floor levels where the work was conducted plus the next two floors below for at least one hour after welding or burning has ceased. The fire watch shall consist of a member of the Lexington Fire Department. If there is a chance that slag could enter into a utility or elevator shaft, then the fire watch should cover the base of the shaft as well as the intermediate floors.

I) If determined, a member of the Lexington Fire Department shall be on site, at Tenant cost, for any “Special Work”.

Exhibit D

Tenant Work Insurance Schedule

Tenant shall, at its own expense, maintain and keep in force, or cause to be maintained and kept in force by any general contractors, sub-contractors or other third party entities where required by contract, throughout any period of alterations to the Premises or the Building by Tenant, the following insurance coverages:

(1) Property Insurance. "All-Risk" or "Special" Form property insurance, and/or Builders Risk coverage for major renovation projects, including, without limitation, coverage for fire, earthquake and flood; boiler and machinery (if applicable); sprinkler damage; vandalism; malicious mischief coverage on all equipment, furniture, fixtures, fittings, tenants work, improvements and betterments, business income, extra expense, merchandise, inventory/stock, contents, and personal property located on or in the Premises. Such insurance shall be in an amount equal to the full replacement cost of the aggregate of the foregoing and shall provide coverage comparable to the coverage in the standard ISO "All-Risk" or "Special" form, when such coverage is supplemented with the coverages required above. Property policy shall also include coverage for Plate Glass, where required by written contract.

Builders Risk insurance coverage may be provided by the general contractor on a blanket builders risk policy with limits adequate for the project, and evidencing the additional insureds as required in the Lease.

(2) Liability Insurance. General Liability, Umbrella/Excess Liability, Workers Compensation and Auto Liability coverage as follows:

(a) General Liability	$1,000,000 per occurrence $1,000,000 personal & advertising injury $2,000,000 products/completed operations aggregate $2,000,000 general aggregate

The General Contractor is required to maintain, during the construction period and up to 3 years after project completion, a General Liability insurance policy, covering bodily injury, personal injury, property damage, completed operations, with limits to include a $1,000,000 limit for blanket contractual liability coverage and adding Landlord as additional insured as respects the project during construction and for completed operations up to 3 years after the end of the project. Landlord requires a copy of the ISO 20 10 11 85 Additional Insured endorsement, showing Landlord as an additional insured to the GC's policy.

(b) Auto Liability $1,000,000 combined single limit (Any Auto) for bodily injury and property damage, hired and non-owned cover.

(c) Workers Compensation	Statutory Limits
Employers Liability	$1,000,000 each accident $1,000,000 each employee $1,000,000 policy limit

General Contractor shall ensure that any and all sub-contractors shall maintain equal limits of coverage for Workers Compensation/EL and collect insurance certificates verifying same.

(d) Umbrella/Excess Liability	$3,000,000 per occurrence $3,000,000 aggregate

(e) Environmental Insurance – To the extent required by Landlord Contractors' commercial general liability/umbrella insurance policy(ies) shall include Landlord and Landlord's designees as additional insureds', and shall include a primary non-contributory provision. Liability policy shall contain a clause that the insurer may not cancel or materially change coverage without first giving Landlord thirty (30) days prior written notice, except cancellation for non-payment of premium, in which ten (10) days prior written notice shall be required.

(3) Deductibles. If any of the above insurances have deductibles or self insured retentions, the Tenant and/or contractor (policy Named Insured) shall be responsible for the deductible amount.

All of the insurance policies required in this Exhibit D shall be written by insurance companies which are licensed to do business in the State where the property is located, or obtained through a duly authorized surplus lines insurance agent or otherwise in conformity with the laws of such state, with an A.M. Best rating of at least A and a financial size category of not less than VII. Tenant shall provide Landlord with certificates of insurance upon request, prior to commencement of the Tenant/contractor work, or within thirty (30) days of coverage inception and subsequent renewals or rewrites/replacements of any cancelled/non-renewed policies.

Exhibit E

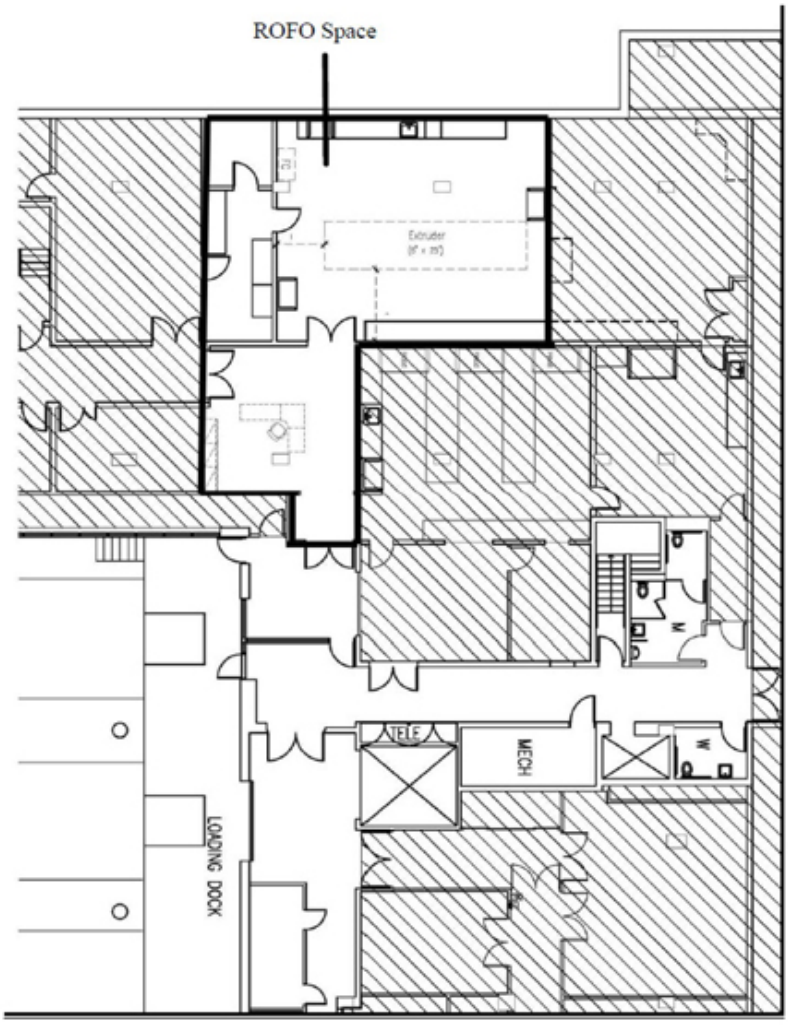


Exhibit F

Construction Documents

1. Preparation of Construction Documents. The Construction Documents shall include all architectural, mechanical, electrical and structural drawings and detailed specifications for the Tenant Work and shall show all work necessary to complete the Tenant Work including all cutting, fitting, and patching and all connections to the mechanical and electrical systems and components of the Building. Tenants leasing partial floors shall design entrances, doors and any other elements which visually integrate with the elevator lobbies and common areas in a manner and with materials and finishes which are compatible with the common area finishes for such floor. Landlord reserves the right to reject Construction Documents which in its reasonable opinion fail to comply with this provision. The Construction Documents shall include:

(a) Major Work Information: A list of any items or matters which might require structural modifications to the Building, including the following:

(i) Location and details of special floor areas exceeding 150 pounds of live load per square foot;

(ii) Location and weights of storage files, batteries, HVAC units and technical areas;

(iii) Location of any special soundproofing requirements;

(iv) Existence of any extraordinary HVAC requirements necessitating perforation of structural members; and

(v) Existence of any requirements for heavy loads, dunnage or other items affecting the structure.

(b) Plans Submission: Two (2) blackline drawings and one (1) CAD disk showing all architectural, mechanical and electrical systems, including cutsheets, specifications and the following:

CONSTRUCTION PLANS:

(1) All partitions shall be shown; indicate ratings of all partitions; indicate all non-standard construction and details referenced;

(2) Dimensions for partition shall be shown to face of stud; critical tolerances and ± dimensions shall be clearly noted;

(3) All doors shall be shown on and shall be numbered and scheduled on door schedule; indicate ratings of all doors;

(4) All non-standard construction, non-standard materials and/or installation shall be explicitly noted; equipment and finishes shall be shown and details referenced; and

(5) All plumbing fixtures or other equipment requirements and any equipment requiring connection to Building plumbing systems shall be noted.

REFLECTED CEILING PLAN:

(1) Layout suspended ceiling grid pattern in each room, describing the intent of the ceiling working point, origin and/or centering; and

(2) Locate all ceiling-mounted lighting fixtures and air handling devices including air dampers, fan boxes, etc., lighting fixtures, supply air diffusers, wall switches, down lights, special lighting fixtures, special return air registers, special supply air diffusers, and special wall switches.

TELECOMMUNICATIONS AND ELECTRICAL EQUIPMENT PLAN:

(1) All telephone outlets required;

(2) All electrical outlets required; note non-standard power devices and/or related equipment;

(3) All electrical requirements associated with plumbing fixtures or equipment; append product data for all equipment requiring special power, temperature control or plumbing considerations;

(4) Location of telecommunications equipment and conduits; and

(5) Components and design of the Antennas (including associated equipment) as installed, in sufficient detail to evaluate weight, bearing requirements, wind-load characteristics, power requirements and the effects on Building structure, moisture resistance of the roof membrane and operations of pre-existing telecommunications equipment.

DOOR SCHEDULE:

(1) Provide a schedule of doors, sizes, finishes, hardware sets and ratings; and

(2) Non-standard materials and/or installation shall be explicitly noted.

HVAC:

(1) Areas requiring special temperature and/or humidity control requirements;

(2) Heat emission of equipment (including catalogue cuts), such as CRTs, copy machines, etc.;

(3) Special exhaust requirements – conference rooms, pantry, toilets, etc.; and

(4) Any extension of system beyond demised space.

ELECTRICAL:

(1) Special lighting requirements;

(2) Power requirements and special outlet requirements of equipment;

(3) Security requirements;

(4) Supplied telephone equipment and the necessary space allocation for same; and

(5) Any extensions of tenant equipment beyond demised space.

PLUMBING:

(1) Remote toilets;

(2) Pantry equipment requirements;

(3) Remote water and/or drain requirements such as for sinks, ice makers, etc.; and

(4) Special drainage requirements, such as those requiring holding or dilution tanks.

ROOF:

Detailed plan of any existing and proposed roof equipment showing location and elevations of all equipment.

SITE:

Detailed plan, including fencing, pads, conduits, landscaping and elevations of equipment.

SPECIAL SERVICES:

Equipment cuts, power requirements, heat emissions, raised floor requirements, fire protection requirements, security requirements, and emergency power.

2. Plan Requirements. The Construction Documents shall be fully detailed and fully coordinated with each other and with existing field conditions, shall show complete dimensions, and shall have designated thereon all points of location and other matters, including special construction details and finish schedules. All drawings shall be uniform size and shall incorporate the standard electrical and plumbing symbols and be at a scale of 1/8" = 1'0" or larger. Materials and/or installation shall be explicitly noted and adequately specified to allow for Landlord review, building permit application, and construction. All equipment and installations shall be made in accordance with standard materials and procedures unless a deviation outside of industry standards is shown on the Construction Documents and approved by Landlord. To the extent practicable, a concise description of products, acceptable substitutes, and installation procedures and standards shall be provided. Product cuts must be provided and special mechanical or electrical loads noted. Landlord's approval of the plans, drawings, specifications or other submissions in respect of any work, addition, alteration or improvement to be undertaken by or on behalf of Tenant shall create no liability or responsibility on the part of Landlord for their completeness, design sufficiency or compliance with requirements of any applicable laws, rules or regulations of any governmental or quasi-governmental agency, board or authority.

3. Drawing and Document Production. Landlord shall provide Tenant with two (2) blackline drawings and one (1) CAD disk showing the Building and site outline, core walls and columns, together with corridor and demising wall location plans.

4. Change Orders. The Construction Documents shall not be materially changed or modified by Tenant after approval by Landlord without the further approval in writing by Landlord, which approval shall not be unreasonably withheld or delayed. Landlord shall not be obligated to approve any change or modification of the Construction Documents which in Landlord's sole opinion shall cause any additional cost or expense to Landlord for which Tenant has not agreed to reimburse Landlord.

Exhibit G

List of Environmental Substances

Chemicals	Quantity
Sodium cyanoborohydride	1 kg
Sodium azide	250 g
Sodium dodecyl sulphate	5 kg
Polyacrylamide gels + sodium azide (preservative)	2.5 kg
Crosslinkers: Aminooxy,adipic dihyrazide, others	0.5-5 g
Thiomersal	0.1 kg

Solvents	Quantity	Units	Flammable Class
Absolute ethanol	2.64	gallons	1B
Strong acids (HCl, AA)/alkalis (NaOH)	<1.32	gallons	n/a
Methanol	<1.32	gallons	1B
Dye- Instant/Collidal blue	<1.32	gallons	n/a
Triethylamine	0.13	gallons	1A
Acetonitrile	<1.32	gallons	1B
Triethanolamine	<1.32	gallons	3B

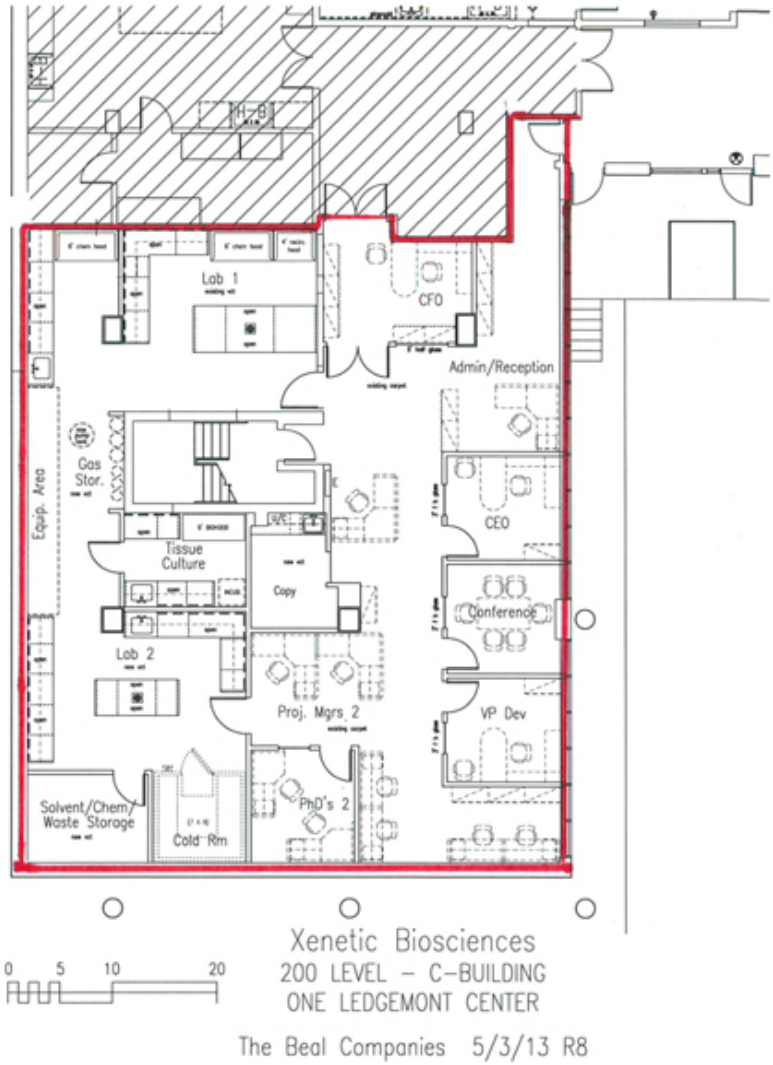
Non-Flammable Gases
Compressed Air
Carbon Dioxide
Nitrogen

Biologicals
Cell culture waste
Bovine serum albumin

In no event shall Tenant be permitted to store more than 12.53 gallons (including the waste stream) of Total/Combined Class 1 solvents

Exhibit H

Plans and Specifications for Initial Tenant Improvements



Revised June 6, 2013
June 3, 2013
May 13, 2013
May 9, 2013
May 8, 2013
May 7, 2013

XXXXXXX
Beal and Company, Inc.
128 Spring Street
Lexington, MA 02420

RE: One Ledgemont Center, Lexington, MA-Xenetic Biosciences Renovation

DEMO

Partial carpet demo for new lab. Demo partial acoustical for new drywall layout. Demo drywall for new door location. Demo existing closet.

PARTITION DRYWALL

Furnish and install new 3 5/8" metal studs and 5/8" drywall at all offices and lab walls.

CEILING

Patch and match existing ceilings for new layout.

HVAC

- Connect new 14" round galvanized exhaust ductwork just inside Mechanical room to existing EF-53 and run new 14" round exhaust duct down corridor into Lab **1** and connect to (2) New lab hoods and provide (2) **1**0" round blast gates. Carry cost to re-sheave fan and change motor if required.

PLUMBING

- Provide new acid neutralization tank Orion model NT-50, with monitoring system, with all associated acid waste and vent piping.
- Provide new sink in copy area with associated HW, CW, sanitary and vent. Tie into nearest available existing lines.
- Provide new chemical lab sinks, (1) in Lab 1 area, (1) in Tissue Culture area and (1) in Lab 2 area, each with non-potable HW, CW, acid waste and vent piping. Drain lines must run below slab to new recessed acid neutralization tank located in front of gas storage area behind stairs. Waste out of tank shall be tied into existing sanitary piping serving existing toilets below slab. All acid vent piping shall be tied into nearest available acid vent piping in area.

ELECTRICAL

Lab# 1 (All voltages shall be considered single-phase unless noted otherwise)

- Furnish and install wiremold at counter top approximately 30'.
- Furnish and install double quad pedestal at island top.
- Provide five (5) 208 Volt 20 Amp circuits and outlets for centrifuge equipment at bench level.
- Provide two (2) 120 Volt 20 Amp circuits and outlets for the Malvern Zetasizer at bench level.
- A frequency converter to allow the change of frequency will be provided by the Tenant for the following circuits and equipment:

1. Two (2) 20 Amp 220 Volt circuits and outlets for the freeze dryer at bench level.
2. Six (6) 20 Amp 120 Volt circuits and outlets for the HPLC (Gilson) at bench level.
3. One **(1)** 20 Amp 220 Volt circuit and outlet for the Constant Cell Disruption System through the floor (assume a poke-through device).
4. One **(1)** 20 Amp 220 Volt circuit and outlet for the UV Spectrophotometer at bench level.
5. One **(1)** 20 Amp 220 Volt circuit and outlet for the Sonicator at bench level.
6. One **(1)** 20 Amp 220 Volt circuit and outlet for the vacuum pump through the floor (assume a poke-through device).
7. One **(1)** 20 Amp 220 Volt circuit and outlet for the mini oven at bench level.

Lab# 2 (All voltages shall be considered single-phase unless noted otherwise)

- Furnish and install wiremold at counter top approximately 30'.
- Furnish and install double quad pedestal at island top.
- Provide three (3) 20 Amp 120 Volt circuits and outlets for the AKTA Prim Plus at bench level.
- Provide one **(1)** circuit and two (2) outlets (20 Amp 120 Volt) for the plate reader at bench level.
- Provide one **(1)** 20 Amp 120 Volt circuit and outlet for the AKTA Purifier at bench level.
- Provide one **(1)** 20 Amp 120 Volt circuit and outlet for the GPC Max at bench level.
- Provide one **(1)** 20 Amp 120 Volt circuit and outlet for the Fluostar Omega.
- A frequency converter to allow the change of frequency will be provided by the Tenant for the following circuits and equipment:

1. Provide one (1) 20 Amp 220 Volt circuit with two (2) outlets for the freezer dryer (one outlet at bench, one outlet in floor – assume pokethrough device) .
2. Provide three (3) 20 Amp 120 Volt circuits and six (6) outlets for the HPLC System Agilent at bench level.
3. Provide two (2) 20 Amp 120 Volt circuits and four (4) outlets for the HPLC with fluorescent detector at bench level.
4. Provide one (1) 20 Amp 120 Volt circuit and outlet for the Gilson Pump at bench level.
5. Provide one (1) 20 Amp 220 Volt circuit and outlet for the vacuum pump at floor level (assume poke-through device) .
6. Provide one (1) 20 Amp 220 Volt circuit and outlet for the shaker and heater at bench *level.*
7. Provide one (1) 20 Amp 220 Volt circuit and outlet for the Visidoc-ITEmag ing System at bench level.
8. Provide one (1) 20 Amp 220 Volt circuit and outlet for the Karl Fisher Titrator at bench level.
9. Provide one (1) 20 Amp 220 Volt circuit and outlet for the Karl Fisher oven/pump assembly at bench level.

Equipment Area

All equipment in this area shall be supplied *via* a Tenant provided frequency converter.

- Provide two (2) 20 Amp 220 Volt circuit and four (4) floor-mounted outlets for freezers (assume poke-through devices).
- Provide one **(1)** 20 Amp 220 Volt circuit and outlet for the icemaker.
- Provide one **(1)** 20 Amp 220 Volt 3-Phase circuit and outlet for the Ultra Centrifuge at floor level (assume poke-through device).

P.O. Box 591
Wakefield, MA 01880

dezinespecialties @ earthlink.net

Tel 781246 9015
Fax 781246 9045

Cell Culture Area

- Provide one (1) 20 Amp 220 Volt circuit and outlet for the digital water bath at bench level.
- Provide one **(1)** 20 Amp 220 Volt circuit and outlet for the C02 incubator at bench level.
- Provide one **(1)** 20 Amp 220 Volt circuit and floor outlet for the incubator (assume poke through device).
- Provide one **(1)** 20 Amp 220 Volt circuit and outlet for ALC Refrigerated Centrifuge at bench level.

General Space

- Provide two (2) receptacles for every enclosed office space. Provide one **(1)** circuit for every three (3) enclosed offices.
- Provide one (1) circuit and three (3) receptacles for the Conference Room.
- Provide three (3) circuits and furniture whip connections to the open office furniture.
- Provide general convenience circuit and four (4) receptacles in the space.
- Provide relocation of existing and new to match existing light fixtures in the space. Provide new switching and extend existing circuits as required.
- Provide "ring and string" provisions for tel/data outlets.
- Provide branch circuits to mechanical equipment (including cold room equipment) as required.
- Provide relocation of existing and addition of new to match existing fire alarm devices to accommodate the new layout.

  Extend existing wiring.
- Relocate and provide new to match existing exit signs.

FLOORING

Prep Lab 2 area to receive new VCT flooring to match existing Lab 1. New VCT flooring at copy/breakroom. New vinyl base at new walls to match existing. Existing carpet to stay at office area.

DOORS, JAMS & HARDWARE

Furnish and install eight 3' x 7' birch doors and KD frames; cylindrical locks. Furnish and install one 6' x 7' birch door and KD frames ; cylindrical locks. Furnish and install two door closers. Furnish and install nine door stops.

GLASS/GLAZING

Furnish and install one 5' x 4' 3/8" glass panel with aluminum track.

PAINTING

Paint all new drywall to get two coats of low Sherwin Williams VOC paint. Patch painting all affected areas.

SAWCUTTING

Existing slab for new waste lines and acid neutralization tank. lnfill with concrete after pipe installation.

MILLWORK

Furnish and install thirteen 36" x 24" steel cabinets; four 24" x 24" steel cabinets; four 48" x 24" steel cabinets;86 If x 25" phenolic countertops; one 5' x 12' phenolic countertop ; one 8' x 4' phenolic countertop . 152' of phenolic shelving ;three phenolic sinks 16" x 14"; one 7' x 25" plam countertop with 12" plam cabinet ; one ADA stainless steel sink with faucet ; three lab faucets.

HOODS

Two 6’ chemical hoods: one 4’ recirculating hood; one 6’ Barker tissue culture hood. All hoods to be reconditioned and certified.

ROUGH CARPENTRY

Blocking in walls as needed.

FIRE PROTECTION/FIRE ALARM

- Provide new heads or relocate existing heads as required to accommodate new architectural layout and to meet code.
- Provide new heads in clean room as required to meet code.

NOTE:

- Two 6’ chemical hoods are approximately four weeks after order has been placed.
- Steel cabinets are approximately four weeks after order has been placed.

ADD/ALTERNATES:

- If frequency converter is required by tenant, tenant is responsible for costs associated with equipment and installation. Additionally if code requires the electrical equipment to be enclosed in a electrical room tenant and landlord shall agree upon location within the premises and costs associated with the room will be a cost to the tenant.

Exhibit I

Intentionally
Omitted

Exhibit J

Intentionally
Omitted

Exhibit K

Form of Term Commencement Date Agreement

COMMENCEMENT DATE AGREEMENT

(“Tenant”) hereby certifies that it has entered into a lease with **One Ledgemont LLC** (“Landlord”) dated as of 20 and verifies the following information as of the day of , 20 :

Address of Building: 128 Spring Street, Lexington, Massachusetts
Number of Rentable Square Feet in Premises: _____
Commencement Date: _____
Rent Commencement Date: _____
Lease Termination Date: _____
Tenant’s Pro Rata Share: _____

Billing Address for Tenant: _____

Attention: _____
Telephone Number: (__) _____
Federal Tax I.D. No.: _____

Tenant acknowledges and agrees that the Initial Tenant Improvements have been completed to Tenant’s satisfaction, that Tenant has accepted possession of the Premises, and that as of the date hereof, there exist no offsets or defenses to the obligations of Tenant under the Lease.

TENANT:

_____

By: _____
Name: _____
Title: _____
Hereunto duly authorized

LANDLORD:

One Ledgemont LLC

By: _____
Name: _____
Title: _____
Hereunto duly authorized

Exhibit L

Form of Letter of Credit

IRREVOCABLE STANDBY LETTER OF CREDIT NO.

DATE:

BENEFICIARY:
ONE LEDGEMONT LLC
c/o The Beal Companies, LLP
177 Milk Street
Boston, Massachusetts 02109

AS "LANDLORD"

APPLICANT:

_____

_____

_____

AS "TENANT"

AMOUNT: US $ (AND 00/100 U.S. DOLLARS)

EXPIRATION DATE:

LOCATION: AT OUR COUNTERS IN BOSTON, MASSACHUSETTS

DEAR SIR/MADAM:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. IN YOUR FAVOR AVAILABLE BY YOUR DRAFT DRAWN ON US AT SIGHT IN THE FORM OF EXHIBIT "B" ATTACHED AND ACCOMPANIED BY THE FOLLOWING DOCUMENTS:

1. THE ORIGINAL OF THIS LETTER OF CREDIT AND ALL AMENDMENT(S), IF ANY.

2. A DATED CERTIFICATION FROM THE BENEFICIARY SIGNED BY AN AUTHORIZED OFFICER OR AGENT, FOLLOWED BY ITS DESIGNATED TITLE, STATING THE FOLLOWING:

(A) "THE AMOUNT REPRESENTS FUNDS DUE AND OWING TO US FROM APPLICANT PURSUANT TO THAT CERTAIN LEASE BY AND BETWEEN BENEFICIARY, AS LANDLORD, AND APPLICANT, AS TENANT."

OR

(B) "WE HEREBY CERTIFY THAT WE HAVE RECEIVED NOTICE FROM BANK THAT LETTER OF CREDIT NO. WILL NOT BE RENEWED, AND THAT WE HAVE NOT RECEIVED A REPLACEMENT OF THIS LETTER OF CREDIT FROM APPLICANT SATISFACTORY TO US AT LEAST THIRTY (30) DAYS PRIOR TO THE EXPIRATION DATE OF THIS LETTER OF CREDIT."

THE LEASE AGREEMENT MENTIONED ABOVE IS FOR IDENTIFICATION PURPOSES ONLY AND IT IS NOT INTENDED THAT SAID LEASE AGREEMENT BE INCORPORATED HEREIN OR FORM PART OF THIS LETTER OF CREDIT.

OUR OBLIGATION UNDER THIS CREDIT SHALL NOT BE AFFECTED BY ANY CIRCUMSTANCES, CLAIM OR DEFENSE, REAL OR PERSONAL, OF ANY PARTY AS TO THE ENFORCEABILITY OF THE LEASE BETWEEN YOU AND TENANT, IT BEING UNDERSTOOD THAT OUR OBLIGATION SHALL BE THAT OF A PRIMARY OBLIGOR AND NOT THAT OF A SURETY, GUARANTOR OR ACCOMMODATION MAKER. IF YOU DELIVER THE WRITTEN CERTIFICATE REFERENCED ABOVE TO US, (I) WE SHALL HAVE NO OBLIGATION TO DETERMINE WHETHER ANY OF THE STATEMENTS THEREIN ARE TRUE, (II) OUR OBLIGATIONS HEREUNDER SHALL NOT BE AFFECTED IN ANY MANNER WHATSOEVER IF THE STATEMENTS MADE IN SUCH CERTIFICATE ARE UNTRUE IN WHOLE OR IN PART, AND (III) OUR OBLIGATIONS HEREUNDER SHALL NOT BE AFFECTED IN ANY MANNER WHATSOEVER IF TENANT DELIVERS INSTRUCTIONS OR CORRESPONDENCE TO WHICH EITHER (A) DENIES THE TRUTH OF THE STATEMENT SET FORTH IN THE CERTIFICATE REFERRED TO ABOVE, OR (B) INSTRUCTS US NOT TO PAY BENEFICIARY ON THIS CREDIT FOR ANY REASON WHATSOEVER.

PARTIAL AND MULTIPLE DRAWS ARE ALLOWED. EXCEPT AS EXPRESSLY SET FORTH HEREIN, THIS LETTER OF CREDIT MUST ACCOMPANY ANY DRAWINGS HEREUNDER FOR ENDORSEMENT OF THE DRAWING AMOUNT AND WILL BE RETURNED TO THE BENEFICIARY UNLESS IT IS FULLY UTILIZED.

DRAFT(S) AND DOCUMENTS MUST INDICATE THE NUMBER AND DATE OF THIS LETTER OF CREDIT.

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 NOTIFY YOU BY REGISTERED MAIL/OVERNIGHT COURIER SERVICE AT THE ABOVE ADDRESSES 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 SIX (6) MONTHS BEYOND LEASE EXPIRATION.

THIS LETTER OF CREDIT MAY BE TRANSFERRED WITHOUT COST TO THE BENEFICIARY, ONE OR MORE TIMES BUT IN EACH INSTANCE TO A SINGLE BENEFICIARY AND ONLY IN THE FULL AMOUNT AVAILABLE TO BE DRAWN UNDER

THE LETTER OF CREDIT AT THE TIME OF THE TRANSFER AND ONLY BY THE ISSUING BANK UPON OUR RECEIPT OF THE ATTACHED "EXHIBIT A" DULY COMPLETED AND EXECUTED BY THE BENEFICIARY AND ACCOMPANIED BY THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENTS, IF ANY.

ALL DEMANDS FOR PAYMENT SHALL BE MADE BY PRESENTATION OF THE ORIGINAL APPROPRIATE DOCUMENTS PRIOR TO 10:00 A.M. E.S.T. TIME, ON A BUSINESS DAY AT OUR OFFICE (THE "BANK'S OFFICE") AT: , BOSTON, MASSACHUSETTS , ATTENTION: OR BY FACSIMILE TRANSMISSION AT: (617) - ; AND SIMULTANEOUSLY UNDER TELEPHONE ADVICE TO: (617) - , ATTENTION: WITH ORIGINALS TO FOLLOW BY OVERNIGHT COURIER SERVICE.

PAYMENT AGAINST CONFORMING PRESENTATIONS HEREUNDER SHALL BE MADE BY BANK DURING NORMAL BUSINESS HOURS OF THE BANK'S OFFICE WITHIN ONE (1) BUSINESS DAY AFTER PRESENTATION.

WE HEREBY AGREE WITH THE DRAWERS, ENDORSERS AND BONAFIDE HOLDERS THAT THE DRAFTS DRAWN UNDER AND IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT SHALL BE DULY HONORED UPON PRESENTATION TO THE DRAWEE, IF NEGOTIATED ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT.

THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 600.

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

EXHIBIT "A"

DATE:

TO:

RE: STANDBY LETTER OF CREDIT
NO. ISSUED BY

ATTN: L/C AMOUNT:

LADIES AND 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 DIRECT 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.

SINCERELY,

(BENEFICIARY'S NAME)

SIGNATURE OF BENEFICIARY

SIGNATURE AUTHENTICATED

(NAME OF BANK)

AUTHORIZED SIGNATURE

EXHIBIT “B”

DATE: _____ REF. NO. _____

AT SIGHT OF THIS DRAFT

PAY TO THE ORDER OF _____ US$ _____

USDOLLARS _____

_____

DRAWN UNDER BANK, BOSTON, MASSACHUSETTS, STANDBY LETTER OF CREDIT NUMBER NO.
DATED

TO: _____ BANK

_____ _____

_____ , MA ____ (BENEFICIARY’S NAME)

_____

Authorized Signature

COMMENCEMENT DATE AGREEMENT

Xenetic Bioscience Incorporated. ("Tenant") hereby certifies that it has entered into a lease with ONE LEDGEMONT LLC ("Landlord") dated August 1st, 2013 (the "Lease") and verifies the following information as of the 16th day of January. Capitalized terms used, but not herein defined, shall have the meaning ascribed in the Lease:

Address of Building:	128 Spring Street, Lexington, MA 02421
Number of Rentable Square Feet in Premises:	3,959 r.s.f.
Term Commencement Date:	January 1st, 2014
Rent Commencement Date:	February 1st, 2014
Lease Termination Date:	January 31st, 2019
Tenant's Pro Rata Share:	2.27%
Initial Annual Rent:	$XXXXXX
Option to Extend:	One (1) additional term of five (5) Lease Years, with nine (9) months (but not more than twelve (12) months) by unconditional written notice
Initial Letter of Credit:	$XXXXXX

* Free Rent Period – from the Term Commencement Date through the first full month of the lease term

Tenant acknowledges and agrees that all improvements Landlord is obligated to make to the Premises, if any, have been completed to Tenant's satisfaction, that Tenant has accepted possession of the Premises, and that as of the date hereof, there exist no offsets or defenses to the obligations of Tenant under the Lease.

TENANT:

XENETIC BIOSCIENCE, INC.

By: /s/ Colin Hill
Name: Colin Hill
Title: CFO
Hereunto duly authorized

LANDLORD:

ONE LEDGEMONT LLC

By: _____
Name: Robert L. Beal
Title: Authorized Signatory
Hereunto duly authorized

Exhibit 10.04

THE CROWN ESTATE

Counterpart Lease

relating to 3rd Floor Rear,
Greener House, 68
Haymarket, London SW1

Dated 20 March 2012

Her Majesty the Queen (1)
The Crown Estate Commissioners (2)
Xenetic Biosciences plc (3)

BURGES SALMON

The Crown Estate
16 New Burlington Place London
W1S 2HX

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DATE 20 March 2012

PARTIES

(1) HER MAJESTY THE QUEEN;

(2) THE CROWN ESTATE COMMISSIONERS on behalf of Her Majesty acting in exercise of the powers conferred by the Crown Estate Act 1961 (the "Commissioners"); and

(3) XENETIC BIOSCIENCES PLC (company number 03213174) whose registered office is at London Bioscience Innovation Centre, 2 Royal College Street, London, NW1 ONH (the "Tenant")

OPERATIVE PROVISIONS

PART ONE: DEFINITIONS AND INTERPRETATION

1 DEFINITIONS

In this Lease the following expressions have the following meanings:

1954 Act	the Landlord and Tenant Act 1954
1986 Act	the Insolvency Act 1986
1995 Act	the Landlord and Tenant (Covenants) Act 1995
Adjoining Property	the rest of the Building (excluding the Property) and any land or property nearby or adjoining the Building whether or not owned by the Landlord
Authority	a statutory, public, local or other competent authority or a court or tribunal of competent jurisdiction or any agency or body owned or sponsored by the government
Break Date	*20 March 2015*
Building	Greener House, 66-68 Haymarket, London SW1 registered at the date of this lease at the Land Registry under Title Number NGL879297 and shown for identification purposes only edged red on the annexed plan marked plan 1 and all additions to it, but excluding tenant's fixtures and fittings whenever fixed
Business Hours	Sam to 6pm every day except Saturday, Sunday or a bank or public holiday and any extra hours first authorised in writing by the Landlord
COM Regulations	the Construction (Design and Management) Regulations 2007
Commissioners	this includes any other person who takes over managing The Crown Estate
Conduit	a conduit, pipe, drain, gully, sewer, channel, culvert, gutter, flue, duct, wire, cable, main, optic fibre or other medium for the passage or transmission of water, soil, gas, air, smoke, electricity, light, information or other matter and all related structures and equipment

DEC	a display energy certificate as defined in the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007 and any recommendation report prepared in connection with that certificate
Deliberate Damage	damage caused deliberately with the intention of causing damage by the Tenant or anyone deriving title through the Tenant or anyone at the Building with the express or implied authority of either of them
End of the Tenancy	the end of the Tenancy by expiry, re-entry, notice, surrender or otherwise
Environmental Certificate	an EPC, DEC or any other assessment, certificate or report from time to time required by law or produced as generally accepted market practice or standards of building management that provides a measurement of or opinion on the use or consumption of energy or resources or the production or management of waste or harmful substances or any effect on the environment at or related to the Property or the Building or their use and occupation
EPC	an energy performance certificate as defined in the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007 and any recommendation report prepared in connection with that certificate
Facilities	facilities and systems provided at any time for the amenity of the Building and tenants, occupiers or visitors, including those of the following that are provided: lift(s) and lift shaft(s); security and surveillance systems; fire-prevention and fire-alarm equipment; sprinklers and fire-fighting equipment; heating, cooling, ventilating and air-conditioning plant and equipment; onsite or near-site heat or electricity generation facilities; onsite or near-site ground source heat pumps and other equipment designed to provide electricity, heating, cooling or ventilation; rainwater harvesting equipment; waste compactors and other waste management systems; public address and other communication facilities
Fire Safety Order	the Regulatory Reform (Fire Safety) Order 2005
Group Company	a company that is: (a) a subsidiary of the Tenant; or (b) the Tenant's holding company; or (c) a subsidiary of the Tenant's holding company the terms "subsidiary" and "holding company" having the meanings set out in section 1159 Companies Act 2006
Guarantor	this includes any person deemed to covenant in this Lease as Guarantor in the terms of Part Eight
Insolvent	(a) if a party is a company or a limited liability partnership or other corporation, it is insolvent if any of the following apply:

Land Registry
Official copy of title plan

Title number **NGI879297**
Ordnance Survey map reference **TQ2980NE**
Scale **1:1250**
Administrative area **CITY OF WESTMINSTER**

(i) it is deemed unable to pay its debts as defined in section 123 1986 Act;

(ii) a proposal is made for a voluntary arrangement under part I 1986 Act;

(iii) it enters into any arrangement, scheme, compromise, moratorium or composition with any of its creditors under the 1986 Act or otherwise;

(iv) it is the subject of an administration order (whether an interim order or otherwise) made under part II 1986 Act; or is subject to a resolution passed by the directors or shareholders, members, managers or other officers (or a determination of a limited liability partnership) for the presentation of an application for such an order; or has an application for such an order presented against it; or if a notice of intention to appoint an administrator or a notice of appointment of an administrator is filed with the court; or if a resolution is passed by the directors, shareholders, members, managers or other officers (or a determination of a limited liability partnership) for the filing of either such notice;

(v) a receiver (including an administrative receiver) or manager is appointed whether under part II 1986 Act or otherwise;

(vi) a provisional liquidator is appointed under section 135 1986 Act;

(vii) it goes into liquidation as defined in section 247(2) 1986 Act (except a voluntary winding-up solely for the purpose of amalgamation or reconstruction while solvent); or

(viii) it makes or resolves to make an application to the court under section 1159 Companies Act 2006;

(b) if a party is an individual, it is insolvent if any of the following apply:

(i) an application is made for an interim order or a proposal is made for a voluntary arrangement under part VIII 1986 Act;

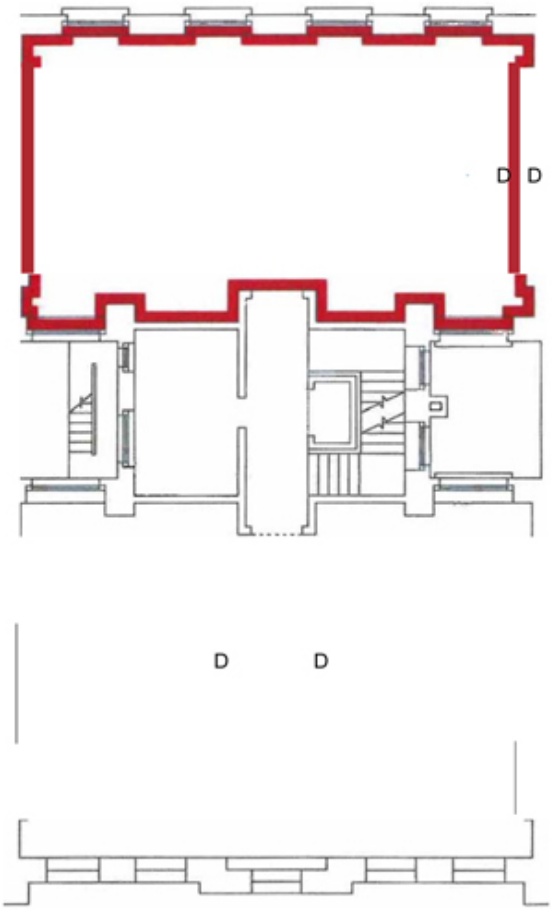
	(ii) a bankruptcy petition is presented to the court or his circumstances would enable a bankruptcy petition to be presented under part IX 1986 Act; (iii) he enters into a deed of arrangement; or (iv) a receiver or manager is appointed over any of his assets
Insurance Rent	all sums payable by the Tenant under clause 26
Interest	interest (both before and after any judgment) calculated on a daily basis from and including the date that interest becomes chargeable on any payment under this Lease to and including the day before the date that such payment is made
Interest Rate	3% a year above Barclays Bank Pic's base lending rate from time to time (or of another bank nominated by the Landlord at any time) or, if those base rates are not available at any time, another comparable rate of interest specified by the Landlord having regard to interest rates at that time
Landlord	for so long as the Reversion forms part of The Crown Estate, the Commissioners, and afterwards the person for the time being entitled to the Reversion
this Lease	this Lease and any document that is supplemental or collateral to it whether or not it is expressly stated to be so
Legal Obligation	an obligation imposed by or under any present or future law including present or future statute, statutory instrument, statutory guidance or byelaw or common law or any present or future judgment, injunction, regulation, order, direction, requirement, notice or code of practice of any Authority as far as it relates to the Property or to its occupation or use no matter on whom the obligation is imposed
Non-Structural Alteration	(a) an alteration to the inside of the Property which does not affect any loadbearing or structural part of the Building; or (b) the installation of or an alteration to a Conduit or Facility that forms part of the Property; which does not: (c) adversely affect the Building's appearance; or (d) impair the efficiency of or otherwise adversely affect the operation or means of access to any of the Conduits or Facilities; or (e) adversely affect the efficiency of the use of energy or water or the sustainability characteristics at or of the Building or the Property,

	and conforms to any guidelines or directive in force and issued by the Landlord that are provided to the Tenant from time to time concerning work to the Landlord's property in the area in which the Building is situated
Part	a part of this Lease
Permitted Underlease	an underlease which: (a) is granted without a fine or premium; (b) reserves a rent: (i) at least equal to the open market rent at the time of its grant; and (ii) payable not more than one quarter in advance; (c) is (as far as is consistent with an underlease) in a form consistent with this Lease except that further underletting will be prohibited and the Landlord's consent (as well as the Tenant's) will be required for a proposed assignment of the whole of the interest created by that underlease (assignment of part being prohibited); and (d) is excluded from the operation of sections 24-28 Landlord and Tenant Act 1954, and the requirements in section 38(A)(3) 1954 Act are met before the earlier of the underlease being granted and the undertenant becoming contractually bound to enter into the underlease
Permitted Use	the use of the Property as offices within Class 81 of the Schedule to the Town and Country Planning (Use Classes) Order 1987 (as enacted at the date of this Lease)
Planning Acts	the acts for the time being in force relating to town and country planning
Policy Principles	the Landlord's policy (having regard to the principles of good estate management) in relation to the management, tenant-mix improvement, development and stewardship of the area in which the Property is situated as part of the Landlord's overall property holdings in the Regent Street area as published at any time by the Landlord and made available to the Tenant (in written or electronic format)
Principal Rent	XXXXXXX a year starting on the Rent Start Date

Prohibited Uses	a betting shop or office, casino or for any other form of gambling, amusement arcade, night club, sex shop, shop selling or hiring videos or DVDs, mobile phone shop, electrical goods shop, car showroom, post office, hairdressing salon, airline shop, ticket agency, travel agency, bureau de change, shop selling made-to-measure suits (unless ancillary to another use), shop selling unfinished cloth, shop selling tourist and/or novelty goods or a shop selling wines, beers or spirits
Property	the part of the Third Floor Rear of the Building shown edged in red on the annexed plan marked plan 2 including: (a) the inner half measured to the mid-point of the non-structural and non-loadbearing walls and ceilings that divide the Property from the other Units; (b) the whole of all other non-structural or non-loadbearing walls and columns; (c) the internal plaster surfaces and finishes of loadbearing walls and columns; (d) the ceiling finishes and the whole of any false ceilings and the voids between the ceilings and false ceilings; (e) all window frames and fitments and all glass in the windows and all doors, door furniture and door frames; (f) the Conduits within and exclusively serving the Property except those belonging to utility companies; (g) the floor finishes and all carpets; (h) any existing or future Landlord's fixtures, fittings, plant, machinery, apparatus and equipment within and exclusively serving the Property; and (i) any additions, alterations or improvements, but excluding: (j) any Conduit not exclusively serving the Property; and (k) any structural parts, loadbearing walls, roofs, foundations, external walls or joists
Regulations	the regulations: (a) set out in Schedule 3; (b) set out in any occupier's handbook given to the Tenant from time to time; and (c) published from time to time by the Landlord in addition to or in substitution for those regulations in the interests of :

Haymarket Estate
Third Floor, Greener House, 66-68 Haymarket, London SW1

THE CROWN ESTATE



Third Floor Rear

Scale, 1:100 at A4

16 New Burlington Place
London W1S 2HX
Tel: 020 7851 5000

Plan 2

(i) good estate management; or

(ii) environmentally responsible estate management.

Rent Start Date	the date six months after the Term Start Date and being *20 September* 2012
Rents	the rents reserved in clause 4
Rent Payment Dates	25 March, 24 June, 29 September and 25 December
Retained Property	all parts of the Building (except the Units) including any structural parts, loadbearing walls, roofs, foundations, external walls or joists which are not included in the Property and would not be included in the Units if they were let on the same terms as the Property
Reversion	the immediate reversionary interest in the Property
Service Charge	all sums payable by the Tenant under clause 31
Shared Areas	forecourts, entrances, halls, circulation areas, passages, staircases, escalators, lifts, lift shafts, toilets, storage areas, service roads, service yards, loading bays, ramps, refuse areas, recycling facilities, cycle storage, car parks, shower and changing facilities and other areas or ways provided at any time for tenants, occupiers or visitors to share
Tenancy	the tenancy created by this Lease
Tenant	this includes the Tenant's successors in title and, in the case of an individual, his personal representatives
Term	the term of five (5) years beginning on the Term Start Date and ending on 19 March 2017
Term Start Date	the date of this Lease
Uninsured Damage	damage which is not covered (whether fully or at all) by the Insurance taken out by the Landlord (other than as a result of Deliberate Damage)
Unit	an individual shop, office suite or other unit of accommodation in the Building let or exclusively occupied or designed or intended to be let or exclusively occupied except in connection with the provision of Services
VAT	value added tax or a similar tax that replaces it or is charged in addition to it

2 INTERPRETING THIS LEASE

2.1 The headings in this Lease are for reference only. They are not to be used to interpret the text beneath.

2.2 The Schedules to this Lease are part of this Lease. References to the parties, Schedules and clauses mean those in this Lease.

2.3 References to persons include bodies corporate, unincorporated associations and partnerships, in each case whether or not they have a separate legal identity.

2.4 Unless the context specifically requires otherwise:

(a) words relating to one gender are treated as meaning any gender;

(b) words relating to individuals are treated as also meaning corporations and vice versa;

(c) words in the singular are treated as also meaning the plural and vice versa; and

(d) words relating to the whole are treated as including any part of the whole.

2.5 All agreements and obligations by a party in this Lease (whether or not expressed as covenants) are to be read as covenants by that party. Subject to the 1995 Act, the Tenant will comply with its agreements and obligations throughout the Tenancy.

2.6 If a condition or covenant in this Lease requires a party not to do something, it is a breach of the condition or covenant to allow somebody else to do it.

2.7 References to statutory provisions, acts or EC Directives include (except where expressly stated to the contrary) references to:

(a) any changes to them, including any extension, consolidation, replacement or re-enactment (before or after the date of this Lease); and

(b) any regulation, instrument or order or other subordinate legislation made under them.

2.8 If a party consists of more than one person, the covenants and obligations which that party undertakes can be enforced against them all jointly or against each individually.

2.9 For so long as the Reversion forms part of The Crown Estate, a covenant by (or implied by) the Landlord is made (or implied) by the Commissioners acting in exercise of the powers conferred by the Crown Estate Act 1961. No covenants, agreements or obligations are given by Her Majesty or anyone who reigns after Her. No liability is imposed on Her Majesty or anyone who reigns after Her or on the Commissioners in any personal or private capacity. With effect from the date that the Reversion ceases to form part of The Crown Estate, those covenants are deemed to be made by the person subsequently entitled to the Reversion. All liability of the Commissioners for those covenants will stop from that date.

2.10 If any provision of this Lease is held to be invalid or unenforceable by any court or other competent authority, all its other provisions will remain in full force.

2.11 This Lease does not confer on any person or party (except the parties to it) rights under the Contracts (Rights of Third Parties) Act 1999.

2.12 References to rights of access or entry to the Property by the Landlord are extended to anybody authorised by the Landlord.

2.13 The word “assignment” includes a legally binding contract for assignment.

2.14 The words “include” and “including” are deemed to be followed by the words “but not limited to”.

2.15 Any consent or approval to be given by the Landlord is not effective unless it is given as a formal licence executed as a deed.

PART TWO: GRANT

3 **GRANT**

3.1 The Landlord lets the Property to the Tenant with no title guarantee to the Term.

3.2 The Landlord grants to the Tenant the rights set out in Schedule 1.

3.3 The rights set out in Schedule 2 are excepted from this lease and reserved in favour of the Landlord and anybody authorised by the Landlord.

3.4 The Property is let subject to:

(a) all unregistered interests that override registered dispositions under Schedule 3 Land Registration Act 2002; and

(b) rights, easements, quasi-easements, restrictions, covenants and liabilities that affect the Property.

3.5 Subject to the Tenant paying the Rents and complying with its obligations in this Lease and without limiting the operation by the Government of the United Kingdom of its powers, the Tenant will have quiet enjoyment of the Property without interruption by the Landlord or any person claiming under rights granted by the Landlord.

4 RENTS

The rents payable under this Lease are:

(a) the Principal Rent;

(b) the Insurance Rent;

(c) the Service Charge;

(d) any VAT on any sums due under this Lease; and

(e) any other sums payable under this Lease.

PART THREE: TENANT'S COVENANTS WITH THE LANDLORD

5 PAYMENT OF THE RENTS

5.1 The Tenant will pay the Principal Rent (plus VAT if it applies) without deduction or set-off (whether legal or equitable) by equal quarterly payments in advance on the Rent Payment Dates. Payment is to be made by standing order (from a bank in the United Kingdom) or by any other method reasonably required by the Landlord. The first payment of the Principal Rent (for the period beginning on the Rent Start Date and ending on the day before the next Rent Payment Date) is due on the Rent Start Date.

5.2 The Tenant will pay the Insurance Rent in accordance with clause 26.

5.3 The Tenant will pay the Service Charge in accordance with clause 31.

5.4 The Tenant will pay the Rents (except the Principal Rent, the Insurance Rent and the Service Charge) on demand.

6 OUTGOINGS

6.1 The Tenant will pay and indemnify the Landlord against all rates, taxes, assessments, impositions, duties, charges and outgoings payable at any time during the Tenancy by the owner or occupier of (or otherwise due in respect of) the Property. The Tenant will not be responsible for any taxes (except VAT) payable by the Landlord on the Principal Rent and any taxes on any dealing by the Landlord with its interest in the Reversion.

6.2 The Tenant will pay and indemnify the Landlord against any rating relief for empty premises that the Landlord is unable to claim after the Tenancy has ended as a result of any such claim made by the Tenant during the Tenancy.

6.3 The Tenant will pay and indemnify the Landlord against all VAT charged on:

(a) the Rents; or

(b) any other taxable supply received by the Tenant under this Lease.

6.4 The Tenant will pay and indemnify the Landlord against all charges for gas, electricity, phone, water, heating, cooling, ventilation and other services at the Property including charges for connecting the services, fitting and (where appropriate) updating meters and sub-meters and standing charges.

7 REPAIR AND DECORATION

7.1 The Tenant will keep the Property (and any tenant's or trade fixtures and fittings) in good and substantial repair and condition.

7.2 The Tenant will not be liable to repair the Property where damaged by an Insured Risk or by Uninsured Damage and the Landlord has served a Rebuilding Notice or Landlord's Termination Notice unless:

(a) payment of the insurance money is refused (in whole or part) due to something the Tenant (or any other person in the Property expressly or impliedly with the Tenant's authority) has done or failed to do; and

(b) the Tenant has failed to pay the amount so refused to the Landlord in accordance with clause 26.5.

7.3 The Tenant will keep the Property at all times clean and tidy, free from pollution or contamination and in a condition that poses no threat to human health or the environment.

7.4 The Tenant will clean the inside of all windows at the Property as often as reasonably required.

7.5 The Tenant will fit a new carpet in the Property as agreed between the Landlord and the Tenant.

7.6 The Tenant will decorate the inside of the Property to a high standard and to the Landlord's reasonable specification in the last six months of the Tenancy.

7.7 The Tenant will do the work mentioned in clauses 7.6 and 7.6:

(a) in a good and workmanlike way;

(b) using good-quality materials that are fit for the purpose for which they will be used;

(c) using only contractors with a good reputation;

(d) in accordance with current codes of building practice;

(e) to the Landlord's reasonable satisfaction; and

(f) with such colours and materials as the Landlord reasonably requires.

7.8 Within three months (or as soon as is reasonably possible in an emergency) of receiving notice from the Landlord of any breach of this clause, the Tenant will do the work needed to put it right. If the Tenant fails to comply with the notice in that time, it will allow the Landlord to do the necessary work. The Tenant will pay the Landlord on demand as a debt all costs so incurred by the Landlord.

7.9 The Tenant will notify the Landlord of any defect in the Property or the Shared Areas for which the Landlord may have a liability or duty of care under this Lease or the Defective Premises Act 1972 or otherwise, immediately it becomes aware of the defect.

7.10 The Tenant will display in the Property all notices that the Landlord reasonably requires to be displayed in relation to the Defective Premises Act 1972.

8 ALTERATIONS

8.1 The Tenant will not:

(a) alter or interfere with any part of the Building which is not part of the Property unless expressly authorised by Schedule 1;

(b) make any addition or alteration to the Property except a Non-Structural Alteration.

8.2 The Tenant may install, alter or remove demountable non-structural partitions which:

(a) do not impair the efficiency of or otherwise adversely affect the operation or means of access to any of the Conduits or Facilities;

(b) do not adversely affect the efficiency of the use of energy or water or the sustainability characteristics at or of the Building or the Property;

(c) do not affect the external appearance of the Building; and

(d) conform to any guidelines or directive in force issued by the Landlord from time to time that are provided to the Tenant covering works to the Landlord's property in the same area as the Building,

without consent from the Landlord. Before starting the work, the Tenant must give the Landlord three sets of drawings and specifications and one disk in DXF format (or such other generally accepted format as the Landlord may reasonably require) showing the work the Tenant wants to do.

8.3 The Tenant will not make a Non-Structural Alteration unless the Tenant has first:

(a) given the Landlord:

(i) three sets of drawings and specifications and one disk in DXF format (or such other generally accepted format as the Landlord may reasonably require) showing the proposed Non-Structural Alteration; and

(ii) drawings of and specifications and any other information relating to any plant, machinery and materials comprised in the Non-Structural Alteration in sufficient detail for an accurate assessment to be made of its effect on the efficiency of the use of energy or water or the sustainability characteristics at or of the Building or the Property;

(b) obtained the Landlord's consent (such consent not to be unreasonably withheld); and

(c) entered into a licence to make the Non-Structural Alteration in such form as the Landlord reasonably requires.

8.4 All Non-Structural Alterations must be made:

(a) in accordance with the Regulations and this Lease;

(b) in a good and workmanlike way;

(c) using good-quality materials that:

(i) are fit for the purpose for which they will be used;

(ii) where practicable are sustainably sourced and procured; and

(iii) where practicable meet relevant sustainability standards (where such standards exist);

(d) using only contractors with a good reputation;

(e) in accordance with current codes of building practice;

(f) to the Landlord's reasonable satisfaction;

(g) in accordance with any requirements of the insurers of the Property of which the Tenant is aware or ought reasonably to have been aware; and

(h) in a way that does not cause annoyance, inconvenience, nuisance or disturbance to the Landlord or to any of the owners or occupiers of the Building and any adjoining or neighbouring property or to members of the public or infringe any of their rights.

8.5 On completion of a Non-Structural Alteration, the Tenant will:

(a) give the Landlord a written independent current insurance valuation (VAT exclusive) of and any other details reasonably requested by either the Landlord or the insurers of the Property relating to the Non-Structural Alteration (excluding any tenant's fixtures and fittings) for reinstatement purposes;

(b) remove all debris and equipment from the Property and the Building;

(c) make good to the Landlord's reasonable satisfaction any damage caused to the Property and/or the Building and any adjoining or neighbouring property by doing the Non-Structural Alteration;

(d) give the Landlord three sets and one disk in DXF format (or such other generally accepted format as the Landlord may reasonably require) of:

(i) "as built" plans and specifications of the Non-Structural Alteration; and

(ii) drawings of and specifications and other information relating to any plant, machinery and materials comprised in the Non-Structural Alteration in sufficient detail for an accurate assessment to be made of its effect on the efficiency of the use of energy or water or the sustainability characteristics at or of the Building or the Property;

(e) give the Landlord three copies of any Environmental Certificate required, provided or produced in relation to the Non-Structural Alteration together with the drawings, specifications and data on which it is based.

8.6 The Landlord will not be obliged to supervise the Non-Structural Alteration. No warranty or representation is given or implied as to the adequacy, suitability, effectiveness or otherwise of the Property for the Non-Structural Alteration. All parts of the Non-Structural Alteration are at the Tenant's sole risk until they are finished to the Landlord's reasonable satisfaction and in accordance with this Lease and any licence entered into at the Landlord's request.

8.7 If the Tenant does any work in breach of this clause 8, it will do all work needed to put it right as soon as is reasonably practicable after receiving notice of the breach from the Landlord. If the Tenant fails to do so, it will allow the Landlord to do the necessary work. The Tenant will pay to the Landlord on demand as a debt all costs so incurred by the Landlord.

9 SIGNS ETC

9.1 The Tenant will not fix or put up anything outside the Property nor on the inside or outside of any doors or windows unless permitted by this clause.

9.2 The Tenant will not display:

(a) any flashing or moving sign that can be seen from outside the Property;

(b) any sign, notice, placard, poster or advertisement that can be seen from outside the Property except for signs on the Ground Floor tenant board and Third Floor in house style showing the Tenant's name, and any other sign approved by the Landlord showing the Tenant's name and business.

9.3 If the Property is materially damaged or destroyed or needs major repairs, alterations or refurbishment, the Tenant will put up, decorate and maintain hoarding around the Property as soon as reasonably practicable. The hoarding must be put up and decorated in accordance with the Landlord's reasonable specifications. These may include a requirement to display the Landlord's corporate logo where reasonably required.

10 USER

10.1 The Tenant will use the Property for the Permitted Use only.

10.2 The Tenant will not use the Property in a way that is or may cause a nuisance, disturbance or damage to the Landlord or any other person. If a nuisance occurs, the Tenant will immediately take all necessary action to stop it.

10.3 The Tenant will not use the Property in a way that causes pollution or harm to human health or the environment.

10.4 The Tenant will not use the Property:

(a) for residential purposes nor allow any person to sleep on the Property;

(b) to hold an auction;

(c) for anything that is dangerous, noisy or offensive;

(d) for anything illegal or immoral; or

(e) for any of the Prohibited Uses.

10.5 As long as the Reversion forms part of The Crown Estate, the Tenant will comply with the Policy Principles.

10.6 The Tenant will not overload the structure of the Building.

10.7 The Tenant will not use Conduits or Facilities beyond their capacity or in a way that may block or damage them. It will not stop up or obstruct any drain or sewer or allow any oil, grease, waste or anything else which is poisonous, polluting, harmful or dangerous (to humans, property or the environment) to enter any Conduit. If this happens, the Tenant will notify the Landlord immediately upon becoming aware and make good any damage in accordance with the requirements of the Landlord or the Authority.

10.8 The Tenant will not store any dangerous or inflammable materials at the Property. However, if and for so long only as the fire officer and the insurers of the Property do not object, the Tenant may store dangerous or inflammable materials at the Property which are:

(a) kept by the Tenant only in reasonable amounts in connection with the Permitted Use; and

(b) safely stored in accordance with any lawful requirements and recommendations of the fire officer, the insurers of the Property and the manufacturer of the materials and in compliance with all Legal Obligations.

10.9 The Tenant will comply with the Regulations.

10.10 If the Property will be continuously unoccupied for more than one month, the Tenant will:

(a) notify the Landlord; and

(b) provide any caretaking and security arrangements reasonably required by the Landlord to protect the Property from vandalism, theft or unlawful occupation.

11 ALIENATION

11.1 Unless permitted to do so by the rest of this clause, the Tenant will not:

(a) hold the Property expressly or impliedly on trust for another person;

(b) part with or share possession or occupation of the Property;

(c) allow anyone except the Tenant, any lawful undertenant or their respective officers and employees to occupy the Property; nor

(d) underlet the whole or a part of the Property.

Assignment

11.2 The Tenant will not assign part only of the Property.

11.3 The Tenant will not assign the whole of the Property:

(a) unless the conditions specified (for the purposes of section 19(1A) Landlord and Tenant Act 1927) in clause 11.4 and 11.5 are met; and

(b) unless the circumstance specified (for the purposes of section 19(1A) Landlord and Tenant Act 1927) in clause 11.6 does not apply; and

(c) unless the Tenant obtains the prior written consent of the Landlord (such consent not to be unreasonably withheld or delayed).

11.4 Where at the date of the assignment, either:

(a) the assignee is:

(i) in the case of an individual, domiciled overseas; or

(ii) in the case of a company or a limited liability partnership or other corporation, not incorporated in the United Kingdom; or

(b) in the Landlord's reasonable opinion, the assignee, when assessed together with any proposed guarantor, is of a lower financial standing than the Tenant and its guarantor (if any)

then the Landlord is not required to consent to any assignment unless on or before the date of the assignment the Tenant enters into an authorised guarantee agreement within the meaning of section 16 1995 Act in such form as the Landlord reasonably requires.

11.5 The Landlord may give its consent to an assignment subject to a condition that on or before the date of the assignment the Tenant has procured (if the Landlord reasonably so requires) either:

(a) a covenant by deed with the Landlord from a guarantor or guarantors acceptable to the Landlord (such acceptance not to be unreasonably withheld or delayed) in the terms of Part Eight (with any variations the Landlord reasonably requires); or

(b) a rent deposit of such amount as the Landlord reasonably requires to be held on such terms and for such period as the Landlord reasonably requires.

11.6 If the assignee is a Group Company, the Landlord is not required to consent to any assignment if, in the Landlord's reasonable opinion, the assignee, when assessed together with any proposed guarantor, is of a lower financial standing than the Tenant and its guarantor (if any).

11.7 Even if the Tenant meets all the conditions in clause 11.3, the Landlord may withhold consent in any other circumstances if it is reasonable to do so or impose other reasonable conditions upon the grant of consent.

Charges

11.8 The Tenant will not charge a part only of the Property.

11.9 The Tenant will not charge the whole of the Property except for the purpose of the Tenant's business on the Property.

Underlettings

11.10 The Tenant will not underlet part of the Property.

11.11 The Tenant will not underlet the whole of the Property:

(a) unless the proposed undertenant has covenanted by deed with the Landlord in such form as the Landlord reasonably requires that the undertenant will, during the period it is bound by the tenant covenants of the underlease and any additional period during which the undertenant is liable under an authorised guarantee agreement, observe and perform all the covenants and provisions of the underlease that apply to the undertenant;

(b) without procuring (if the Landlord reasonably so requires) a covenant by deed with the Landlord from a guarantor or guarantors acceptable to the Landlord (such acceptance not to be unreasonably withheld or delayed) in the terms of Part Eight (with any variations the Landlord reasonably requires);

(c) except by way of a Permitted Underlease; nor

(d) without the Landlord's consent (such consent not to be unreasonably withheld or delayed)

11.12 The Tenant will enforce and will not waive or vary any underlease without the consent of the Landlord (such consent not to be unreasonably withheld or delayed).

Group Companies

11.13 The Tenant may share occupation of the Property with a Group Company on condition that:

(a) no tenancy is created;

(b) within 21 days of the start of sharing occupation, the Landlord receives:

(i) notice of the Group Company's name, its registered office and its relationship to the Tenant; and

(ii) its irrevocable written acknowledgement that as long as it occupies the Property the Landlord has the same right to distrain against its assets on the Property as against the Tenant's assets; and

(c) the Tenant ensures that such sharing stops six months before the End of the Tenancy or (if sooner) on the date on which the company stops being a Group Company.

Information

11.14 The Tenant will give to the Landlord on request throughout the Tenancy:

(a) within one month, all information referred to in section 40(2) Landlord and Tenant Act 1954 required by the Landlord;

(b) without delay, such information as the Landlord may require as to the VAT status of:

(i) the Tenant and anybody else occupying or trading from any part of the Property; and

(ii) the supplies for which the Property is being used.

Registration

11.15 The Tenant will give the Landlord:

(a) a certified copy of the document that brings about or evidences a dealing or devolution;

(b) a copy of any Environmental Certificate obtained, used or relied on in connection with the dealing or devolution (unless it was provided by the Landlord); and

(c) copies of the drawings, specifications and data on which the Environmental Certificate is based (unless they were provided by the Landlord) within 28 days of completion of the dealing or devolution.

12 LEGAL OBLIGATIONS

12.1 The Tenant will observe and comply with all Legal Obligations at its own expense. It will not do or fail to do anything in relation to the Property or its occupation or use which would make the Landlord incur any liability under a Legal Obligation whether for penalties, damages, compensation, costs or otherwise.

12.2 If the Tenant receives from an Authority or third party notice of a Legal Obligation or a potential Legal Obligation, it will give a copy to the Landlord as soon as it reasonably can together with any further details reasonably required by the Landlord. If the Legal Obligation is in the Landlord's reasonable opinion against the Landlord's interests, the Tenant will make such objection, representation or appeal against it as the Landlord requires at the Landlord's cost. This will not limit the Tenant's responsibility to comply with clause 12.1.

12.3 If a Legal Obligation requires work to be done, the Tenant will do it as soon as reasonably practicable. In any event, the Tenant will notify the Landlord of any steps it has taken in connection with a Legal Obligation and give the Landlord copies of all relevant documents.

12.4 Without limiting the obligations in this clause, the Tenant will in particular observe and comply with all Legal Obligations relating to health and safety, fire-escapes and protecting and preserving life, the environment and property. It will do such work to modify and improve the Property as may from time to time be required by those Legal Obligations. However, the Landlord will have the right (but no obligation) to do such work if the Legal Obligations affect both the Property and other premises or the Tenant fails to do any work required by this clause. If this occurs, the Tenant will repay the Landlord within 7 days of written demand all costs and expenses reasonably incurred by the Landlord that are attributable to the Property.

12.5 The Tenant will do any work required by this clause:

(a) in accordance with all Legal Obligations;

(b) in compliance with this Lease;

(c) with good-quality materials and in a good and workmanlike way; and

(d) to the Landlord's reasonable satisfaction.

12.6 The Tenant will give the Landlord on request:

(a) a copy of any fire-risk assessment carried out by or on behalf of the Tenant;

(b) details of all measures taken by or on behalf of the Tenant to meet its obligations under the Fire Safety Order (including the names of all competent persons appointed by the Tenant under Article 18 of the Fire Safety Order); and

(c) any other information requested by the Landlord to help it meet its own obligations under the Fire Safety Order in relation to the Building.

12.7 Without limiting the obligations in this clause, the Tenant will:

(a) comply with its obligations under the CDM Regulations, including all requirements in relation to the provision and maintenance of a health and safety file; and

(b) give the Landlord on request any information requested by the Landlord to help it meet its own obligations under the CDM Regulations; and

(c) give the Landlord as soon as possible following inspection of it any information relating to the performance, specification and state and condition of the Tenant's plant, equipment and fixtures and fittings at the Property (including copies of reports and assessments relating to it).

13 PLANNING

13.1 This clause supplements the general obligations under clause 12.

13.2 The Tenant will comply with the Planning Acts in relation to the Property and any planning permission that affects the Property.

13.3 The Tenant will not apply for planning permission or anything else under the Planning Acts or enter into any planning obligation (within the meaning of the Planning Acts) in relation to the Property or the Building unless work or other development permitted by this Lease or to which the Landlord has consented requires planning permission. In that case, the Tenant will make that application or enter into that obligation in a form approved by the Landlord.

13.4 The Tenant will promptly give the Landlord copies of all applications, notices, decisions and other formal communications under the Planning Acts relating to the Property. If the communications relate only to the Property or to an application by the Tenant, the Tenant will take such action to protect the Landlord's interests as the Landlord requires at its own expense.

13.5 The Tenant will not implement any planning permission until:

(a) the Landlord has given consent; and

(b) the Tenant has given such security for compliance with any conditions attached to the planning permission as the Landlord reasonably requests.

13.6 Unless the Landlord directs otherwise in writing, the Tenant will carry out before the End of the Tenancy all work required as a condition of any planning permission granted during the Tenancy and implemented by the Tenant. This condition applies whether or not the date by which the planning permission requires such work to be done is within the Tenancy.

13.7 If on the Tenant's application a planning permission is refused or granted subject to conditions and the Landlord produces Counsel's opinion that this significantly prejudices the Landlord's interests and that a planning appeal is justified, then the Tenant will at its own expense make such an appeal.

14 ENCROACHMENTS

14.1 The Tenant will not:

(a) obstruct (or permit anybody else to obstruct) any window, light or ventilator belonging to the Property; or

(b) do anything else that may lead to any rights benefiting the Property or the Building being lost.

14.2 The Tenant will not permit and will take all reasonable measures (whether required by the Landlord or not) to prevent any new window, light, opening, doorway, pathway, Conduit or other encroachment or easement being made or acquired in, on or against the Property. If anybody else tries to make or acquire any encroachment or easement, the Tenant will notify the Landlord immediately on becoming aware of it.

15 EXERCISE OF THE LANDLORD'S RIGHTS

The Tenant will permit the Landlord (and anybody authorised by the Landlord) to · exercise any of the rights specified in Schedule 2 at all times during the Tenancy without interruption or interference. The Tenant will not make any claim against the Landlord (or authorised persons) for exercising or potentially exercising such rights.

16 COSTS

The Tenant will pay the Landlord on demand and on a full indemnity basis all costs, charges and expenses properly incurred by the Landlord relating to:

(a) an application for the Landlord's consent (whether or not the consent is given or the application is withdrawn unless a court rules either that the consent is unlawfully refused or that it is granted subject to unlawful conditions);

(b) preparing (or in contemplation of the preparation of) a schedule of dilapidations to be served during the Tenancy or within six months after the End of the Tenancy;

(c) preparing (or in contemplation of the preparation of) a notice under a provision of this Lease or under section 146 or 147 Law of Property Act 1925 and proceedings under those sections even if forfeiture is avoided except by relief granted by the court;

(d) recovering (or the attempted recovery of) arrears of Rents or other sums payable under this Lease;

(e) enforcing any Tenant's covenant under this Lease;

(f) the service of any notice under section 17 1995 Act; or

(g) stopping a nuisance that the Tenant fails to stop.

17 INTEREST

The Tenant will pay the Landlord Interest at the Interest Rate:

(a) on any Principal Rent and VAT (if applicable) that is not paid to the Landlord on the date it is due (whether payment is formally demanded or not) and on any other sum that is not paid to the Landlord by the later of:

(i) the date it is due; and

(ii) the date 14 days after a written demand for payment is made;

(b) on any Principal Rent, VAT or other sum that the Landlord properly refuses to accept because of an existing breach of covenant.

18 INDEMNITY

The Tenant is responsible for and will indemnify and keep the Landlord indemnified against all actions, proceedings, claims and demands brought or made and all losses, damages, costs, expenses and liabilities incurred, suffered or arising, directly or indirectly, from or otherwise connected with:

(a) the occupation and use of the Property;

(b) the state of repair and condition of the Property (except to the extent caused by any default of the Landlord);

(c) any act, neglect or default of the Tenant or anyone deriving title through the Tenant or anyone acting with the express or implied authority of either of them;

(d) any breach of any covenant or other provision of this Lease to be observed and performed by the Tenant.

19 LAND REGISTRATION

19.1 If it is necessary to register the grant (or any transfer) of this Lease or any right relating to it under the Land Registration Act 2002, the Tenant will (subject to clause 19.2) comply with the relevant registration requirements. In doing so, the Tenant will ensure that any requisitions raised by the Land Registry are dealt with promptly and properly. The Tenant will provide the Landlord's solicitors with an official copy of the relevant register showing compliance with these requirements as soon as practicable.

19.2 The Tenant will not apply to note this Lease against the Landlord's title except by way of a unilateral notice (as referred to in section 34(2)(b) Land Registration Act 2002).

20 YIELDING UP

At the End of the Tenancy, the Tenant will:

(a)

(i) remove all signs and tenant's fixtures, fittings, furniture and belongings;

(ii) if and to the extent the Landlord reasonably requires (and, where the Tenancy ends by effluxion of time, the Landlord gives the Tenant at least six months' written notice of its requirement) remove all additions and alterations made to the Property during the Tenant's occupation of the Property except that the Landlord will not require the Tenant to do so where the additions and alterations in question have improved the efficiency of the use of energy or water at or the sustainability characteristics of the Property or the Building unless the Landlord considers it reasonable to do so having regard to the Landlord's intentions in respect of the use or re-letting of the Property or the Building after the End of the Tenancy or the Landlord's ability to use or re-let the Property or the Building after the End of the Tenancy;

(iii) make good and reinstate any part of the Property damaged or affected by the removal of the items referred to in clauses 20(a)(i) and 20(a)(ii) to the Landlord's reasonable satisfaction; and

(b) return the Property to the Landlord:

(i) with vacant possession (except to the extent that any permitted undertenant has the right to the statutory continuation of its underlease under the Landlord and Tenant Act 1954);

(ii) in the state and condition it should be in if the Tenant complies with its covenants and obligations under this Lease;

(iii) remove any building, structure or any other work for which planning permission or any other consent has been granted for a limited time or on terms making it personal to the Tenant; and

(c) deliver to the Landlord the then current:

(i) health and safety files, Environmental Certificates and operation and maintenance manuals; and

(ii) guarantees, test certificates, reports, assessments, inspection results and service records

held by or on behalf of the Tenant in respect of the Property and any Conduits, Facilities, fixtures, fittings, plant and equipment as will remain at the Property;

(d) at the Landlord's option, either:

(i) apply to the Land Registry:

(A) to close the title of this Lease (if it is registered) and any expired underleases; and

(B) to remove any notice of this Lease or any expired underleases, arid the rights granted or reserved by them from any registered title of the Landlord

and ensure that any requisitions raised by the Land Registry in connection with that application are dealt with promptly and properly and keep the Landlord informed of the progress and completion of its application; or

(ii) deliver to the Landlord this Lease and any counterpart underleases .and all other title documents relating to the Property and use all reasonable endeavours to help the Landlord to close the title of this Lease (if registered) or any expired underleases and to remove any notice of them and the rights granted or reserved by them from any registered title of the Landlord.

PART FOUR: INSURANCE

21 DEFINITIONS

In this Part the following expressions have the following meanings:

Insurance	insurance arranged with a reputable insurance company or underwriters and through an agency decided by the Landlord and subject to any excesses, exclusions, limitations and conditions required by the insurer or properly negotiated by the Landlord and covering: (a) the Building (except plate glass within the Units) against the Insured Risks for a sum sufficient to cover the cost of reinstatement assuming total loss including all applicable VAT and ancillary costs (such as demolition, shoring up, site clearance and professional fees) and appropriate allowance for inflation; (b) Loss of Rent; (c) third party and public liability for the Building for a sum considered appropriate by the Landlord; and (d) any matters relating to the Building considered appropriate by the Landlord having regard to the principles of good estate management and not mentioned in this Part or arranged under Part Five. The Landlord will have the right to retain any commissions paid to it or discount received by it
Insured Risks	(to the extent that insurance against the following risks can be arranged with a reputable insurance office at reasonable cost representing value for money and on reasonable terms but excluding any risks for which insurance is not available at any time in the London insurance market at a reasonable premium) risks of loss or damage by fire, storm, flood, lightning, explosion, aircraft (except hostile aircraft) and other aerial devices, articles dropped from aircraft, riot, civil commotion, malicious damage, impact, bursting and overflowing of water tanks, apparatus and pipes and by any other risks insured by the Landlord
Loss of Rent	the loss of the Principal Rent and Service Charge and applicable VAT for such period (being at least three years) reasonably considered by the Landlord to be enough to complete reinstatement of the Building after total loss and taking into account any likely rent review during that period
Terrorism	an act of terrorism as defined in the Terrorism Act 2000 or such other definition of terrorism as the Landlord's insurers apply at the time of the relevant act of terrorism

22 INTERPRETATION

Any obligation by the Landlord to reinstate under this Lease does not include an obligation to reinstate tenant's fixtures and fittings. The Property is not to be treated as unfit for occupation and use under this Lease just because the tenant's fixtures and fittings have not been reinstated.

23 LANDLORD'S INSURANCE COVENANTS

23.1 The Landlord will take out and keep in force Insurance as far as it is not vitiated by any act, neglect or default of the Tenant or anyone deriving title through the Tenant or anyone at the Property with the express or implied authority of either of them.

23.2 The Landlord will obtain a disapplication of any exclusion for Terrorism activity if and as far as it is able to do so on reasonable commercial terms.

23.3 The Landlord will use reasonable endeavours to make sure that:

(a) the Tenant's interest is noted on the Insurance policies for the Building either specifically or generically;

(b) the insurers agree to waive all rights of subrogation against the Tenant on standard insurers' terms.

23.4 At the Tenant's written request (but not more than once in any year), the Landlord will give the Tenant a copy or adequate details of the Insurance policies and evidence that they are in force and details of any commission paid to the Landlord by the insurers.

23.5 The Landlord will give the Tenant adequate details in writing of any material change in the risks covered by the Insurance policies from time to time.

23.6 If the Property (or access to the Property) is destroyed or damaged by any of the Insured Risks then:

(a) unless:

(i) payment of the insurance money is refused in whole or in part due to an act or omission of the Tenant or anybody in the Property expressly or impliedly with the Tenant's authority; and

(ii) the Tenant fails to pay the amount refused to the Landlord under clause 26.5; and

(b) subject to the Landlord obtaining any required planning permission or other necessary consents and the necessary labour and materials being and remaining available which the Landlord shall use reasonable endeavours to obtain

the Landlord will apply the net proceeds of such insurance (except sums received for Loss of Rent) in carrying out any necessary works of reinstatement as soon as reasonably practicable. The Landlord may reinstate with any changes required to comply with any planning consents or to reflect modern building practice (including any enhanced environmental standards) or otherwise reasonably required by it so long as the accommodation and facilities provided for the Tenant are reasonably equivalent to those granted by this Lease.

24 RENT SUSPENSION

24.1 If:

(a) the Building is destroyed or so damaged by an Insured Risk that the Property is wholly or partially unfit for occupation and use or inaccessible; and

(b) the Insurance has not been vitiated or any payment refused due to some act, neglect or default of the Tenant or anyone deriving title through the Tenant or anyone at the Property with the express or implied authority of either of them

then the Principal Rent and Service Charge or a fair proportion of them according to the nature and extent of the damage will be suspended until the Property is reinstated and accessible to the extent only that such loss of Principal Rent and Service Charge is recoverable under Insurance against Loss of Rent (or would be so recoverable if the Landlord had fully complied with its insurance obligations at Clause 23)

24.2 Any dispute as to the amount or duration of such suspension of Principal Rent and Service Charge will be referred to arbitration under the Arbitration Act in force at that time. The arbitrator is to be appointed (failing agreement between the parties) by or on behalf of the then President of the Royal Institution of Chartered Surveyors on the application of either party.

25 OPTIONS TO END THE TENANCY

25.1 If the Building is destroyed or damaged by an Insured Risk and the Property has not been reinstated and made accessible by the date seven months before the end of the period for which the Landlord has taken out Insurance against Loss of Rent, then the Tenancy may be ended by the Landlord or the Tenant giving to the other (but only before completion of such reinstatement) at least six months' written notice. This notice must end on or after the expiry of the period for which the Landlord has taken out Insurance against Loss of Rent.

25.2 If the Property is reinstated and made accessible by the date any notice served by the Tenant under clause 25.1 expires, the Tenancy will not end.

25.3 If the Tenant still owes any money due to the Landlord under clause 26 by the date any notice served by the Tenant under clause 25.1 expires, then (unless the Landlord waives the operation of this clause 25.3 by giving written notice to the Tenant before that date) the Tenancy will not end.

25.4 If the Tenancy is ended under this clause:

(a) it will be without prejudice to any outstanding liabilities of any party to any other party;

(b) the Landlord will be entitled to keep all unspent insurance money received or receivable under the Insurance policies for its own benefit.

26 TENANT'S INSURANCE COVENANTS

26.1 The Tenant will pay the Landlord on demand:

(a) all premiums (at reasonably competitive rates) and other expenses reasonably incurred by the Landlord in placing and keeping in force Insurance against Loss of Rent attributable to the Property;

(b) a fair share of all premiums (at reasonably competitive rates) and other expenses (including valuation fees) reasonably incurred by the Landlord in placing and keeping in force other Insurance, such share to be decided by the Landlord and as far as practicable (subject to any special weightings applicable to the Property) to represent the proportion that the floor area of the Property bears to the total floor area from time to time of all Units;

(c) a fair and reasonable proportion of any tax charged on the Insurance premiums;

(d) a fair and reasonable proportion of the costs the Landlord reasonably incurs in preparing and settling any insurance claim.

26.2 The Tenant will:

(a) disclose all material information from time to time;

(b) comply with the insurer's requirements and recommendations relating to the Property of which the Tenant is or should reasonable be aware;

(c) not do or omit to do anything that may make any Insurance policy void or voidable in whole or in part or increase the premium for any policy but if, due to a breach of this condition, a premium is increased, then the Tenant will immediately on demand pay the Landlord the whole of the increase.

26.3 The Tenant will provide and maintain any fire-alarm and equipment to prevent and fight fires on the Property required by the insurer or an Authority.

26.4 The Tenant will immediately notify the Landlord of any loss or damage relating to the Property and of any other event that may affect or give rise to a claim under an Insurance policy.

26.5 The Tenant will immediately on demand pay the Landlord an amount equal to all money that cannot be recovered under an Insurance policy due to the act or omission of the Tenant or any person in the Property expressly or impliedly with the Tenant's authority. The Tenant will also pay a fair share (decided as set out in clause 26.1) of all money that cannot be recovered under an Insurance policy due to:

(a) a condition of the policy; or

(b) the imposition by the insurer or the reasonable acceptance by the Landlord of an obligation to bear part of an insured loss (commonly called an excess).

26.6 The Tenant will not take out any insurance equivalent to the Insurance. If it does so in breach of this covenant, it will pay the Landlord all money received under that insurance.

26.7 If the Landlord has served a Rebuilding Notice under clause 27.2, the Tenant will immediately on demand pay the Landlord a fair share (decided as set out in clause 26.1) of an amount equal to what would have been deducted or disallowed by the insurer under an excess provision in the Insurance policy had it covered the Uninsured Damage.

27 UNINSURED DAMAGE

27.1 If the Property or the Building suffers Uninsured Damage so that the Property is wholly or partially unfit for occupation and use or inaccessible, the Landlord may give the Tenant notice under clause 27.2 unless either:

(a) the Tenant has given a notice in accordance with clause 27.6; or

(b) the Uninsured Damage has been made good.

27.2 The notice referred to in clause 27.1 is either:

(a) that the Landlord intends to reinstate the Property and means of access at its own cost (a "Rebuilding Notice"); or

(b) to end the Tenancy (a "Landlord's Termination Notice").

27.3 If the Landlord gives a Rebuilding Notice:

(a) the Landlord will (subject to obtaining all necessary planning and other consents, licences and approvals) do any necessary work of reinstatement to the premises referred to in the Rebuilding Notice at its own cost as soon as reasonably practicable;

(b) the Landlord may reinstate with any changes required to comply with any planning consents or to reflect modern building practice or otherwise reasonably required by it, so long as the accommodation and facilities provided for the Tenant are reasonably equivalent to those granted by this Lease.

27.4 With effect from the date of the damage or destruction by the Uninsured Damage so that the Property is wholly or partially unfit for occupation and use or inaccessible, clause 24 will apply to the relevant Uninsured Damage as if the words "to the extent only that such loss of Principal Rent and Service Charge is recoverable under Insurance against Loss of Rent" were deleted.

27.5 The Landlord may give the Tenant notice to end the Tenancy (a "Landlord's Frustration Notice") if, at any time after giving a Rebuilding Notice, reinstatement of the Uninsured Damage to the premises referred to in the Rebuilding Notice or any other part or parts of the Building is made impossible by causes beyond the Landlord's control.

27.6 At any time during the period starting 12 months after the date the Property suffers Uninsured Damage so that the Property is wholly or partially unfit for occupation and use or inaccessible and ending 18 months after the date the Property suffers such Uninsured Damage, the Tenant may give the Landlord notice to end the Tenancy (a "Tenant's Termination Notice") unless either:

(a) the Landlord has given a notice in accordance with clause 27.1; or

(b) the Uninsured Damage has been made good.

27.7 On giving a Landlord's Termination Notice, a Landlord's Frustration Notice or a Tenant's Termination Notice, the Tenancy will end. This will not affect any outstanding liabilities of any party to any other party but the Tenant will not be liable to repair the Property as a result of the damage by the Uninsured Damage.

27.8 If the Landlord gives a Rebuilding Notice but the Property is not fit for occupation and use and accessible within three years of the date of the Rebuilding Notice, the Tenant may give the Landlord at least three months' notice to end the Tenancy.

27.9 On expiry of the notice referred to in clause 27.8, the Tenancy will end. This will not affect any outstanding liabilities of any party to any other party unless the Property has been made fit for occupation and use and accessible before the expiry of the notice. In this case, the notice will have no effect.

27.10 If the Tenancy ends under this clause 27, the Landlord will be entitled to keep all insurance money received or receivable under any Insurance policies for its own benefit.

27.11 Any dispute as to whether damage is Uninsured Damage will be referred to arbitration under the Arbitration Act then in force. The arbitrator will be appointed (failing agreement between the parties) by or on behalf of the then President of the Royal Institution of Chartered Surveyors on the application of either party.

PART FIVE: SERVICE CHARGE

28 **SERVICES**

In this Part "Services" are those services appropriate to the management, full maintenance and enjoyment of the Building including:

(a) the inspection, testing, servicing, repair and maintenance of the Retained Property (including replacement where appropriate);

(b) the cleaning and lighting of the Retained Property and the external surface of the windows of the Property;

(c) refuse disposal and/or waste management services and/or recycling initiatives;

(d) the decoration of the outside of the Building and the decoration and furnishing of the Retained Property;

(e) provision and maintenance of decorative features (such as flowers and seasonal decorations;

(f) the operation of all Facilities required by an Authority or by a Legal Obligation and any other Facilities provided by the Landlord;

(g) the provision of any further and improved Facilities:

(i) required by an Authority or by a Legal Obligation; or

(ii) for the greater benefit of people using the Building; or

(iii) for the more efficient management of the Building; or

(iv) for the more efficient environmental performance of the Building;

(h) the carrying out of such work and the taking of any other appropriate action to comply with the lawful requirements or recommendations of an insurer or an Authority or to comply with a Legal Obligation;

(i) the control of access and security;

(j) the preparation of Regulations;

(k) the insurance of plant and equipment and of the furnishings and contents of the Retained Property and any other insurance relating to the management of the Building as the Landlord considers appropriate;

(l) advertising and promotion;

(m) the illumination of the Building;

(n) the provision of any other services, facilities or works properly deemed desirable or necessary by the Landlord in its reasonable discretion:

(i) for the benefit of the Building; or

(ii) for the benefit of the tenants or occupiers of or of visitors to the Building; or

(iii) for securing or enhancing any amenity of or within the Building; or

(iv) in the interests of good estate management; or

(v) in the interests of environmentally responsible estate management.

The generality of this paragraph will not be restricted by any other provision in this Part.

29 SERVICE COSTS

In this Part "Service Costs" means the total cost of:

(a) all rates, taxes, charges, assessments and outgoings due for all or any part of the Retained Property or for the whole Building (as distinct from any Units);

(b) gas, electricity, oil and other fuel or energy supplies for providing the Services or otherwise used in the Retained Property;

(c) a fair and reasonable proportion of the Energy Levy as reasonably determined by the Landlord;

(d) employing or arranging for the employment of a facilities team for the Building and other staff to provide the Services, including all related costs such as:

(i) insurance, pension and welfare contributions;

(ii) the provision of clothing, tools and equipment; and

(iii) a fair and reasonable proportion of a notional rent for any residential or other accommodation occupied by staff for the provision of the Services (whether or not belonging to the Landlord);

(e) providing, inspecting, testing, servicing, repairing, maintaining and renewing any equipment, materials and supplies required to provide the Services (including replacement where appropriate);

(f) all maintenance and other contracts entered into relating to the provision of the Services;

(g) all contributions to the cost of providing, maintaining, repairing, testing, servicing, operating and renewing roads, walls, structures, Conduits, Facilities and other things common to or used in common between the Building and other property (including replacement where appropriate);

(h) complying with or contesting any Authority's requirements or proposals relating to the whole Building (as distinct from any Units);

(i) obtaining environmental audits for the Building (but no more frequently than once in any three year period);

(j) commitment fees, interest and any other cost of borrowing money where necessary to finance the Service Costs;

(k) the reasonable fees of managing agents used by the Landlord in relation to:

(i) the management of the Building;

(ii) the provision of the Services; and

(iii) the collection and administration of service charge due from tenants and occupiers of the Building (or, where this is carried out by the Landlord, a reasonable charge by the Landlord for doing so);

(l) preparing and auditing accounts for the Service Charge (whether carried out by the Landlord or by its agents or accountants);

(m) obtaining any professional advice required in relation to the management of the Building and the provision of the Services;

(n) VAT (or other tax) where chargeable on any of the Service Costs;

(o) all other costs, charges, expenses and outgoings relating to the provision of the Services so as to recover their total cost; and

(p) any provision for anticipated future expenditure relating to the Services as is appropriate in the Landlord's reasonable opinion having regard to the principles of good estate management.

30 PROVISION OF SERVICES

30.1 The Landlord will provide the Services but will have no liability to the Tenant:

(a) for the interruption of a Service due to inspection, testing, servicing, repair, maintenance, renewal, replacement, alteration or other work (in which event the Landlord will provide the Service again as soon as reasonably practicable);

(b) for failure to provide a Service due to damage, breakdown, bad weather, fuel or water shortage or any other cause of whatever nature beyond the Landlord's reasonable control (although the Landlord will then do all it reasonably can to provide the Service again or provide an alternative Service as soon as reasonably practicable);

(c) for withdrawing or failing to provide any Services (except those relating to the repair, maintenance and decoration of the Building and the Conduits or the supply of water, gas and electricity in it) which the Landlord reasonably considers at the time to be inappropriate.

30.2 The Landlord will administer the Services and the Service Charge in good faith. Unless there are sound reasons for following alternative procedures, the Landlord will have regard to the provisions and recommendations of the Service Charge Code.

30.3 The Landlord will:

(a) ensure that the Services are provided in a commercial and professional manner;

(b) ensure that the quality and cost of the Services are appropriate to the Building and are regularly reviewed to ensure that value for money is being achieved;

(c) promptly advise the Tenant in writing of:

(i) its policies and procedures relating to the procurement, administration and management of the Services;

(ii) proposals and other factors of which the Landlord becomes aware that will substantially increase or are likely to result in a significant variation in the actual Service Costs for any Account Period; and

(iii) a summary of its tender process for any substantial works at the Tenant's request;

(d) respond promptly to the Tenant's reasonable queries and have regard to the Tenant's reasonable representations about the Services and the Service Costs; and

(e) ensure that any interest earned on all sums paid on account of the Service Charge (after deduction of bank charges, tax and other appropriate deductions) is credited to the relevant account.

30.4 In providing the Services, the Landlord will be entitled to have regard to environmental impact, the efficiency of the use of energy and water and sustainability issues.

31 SERVICE CHARGE

31.1 In this Part the following expressions have the following meanings:

Account Date	31 March in each year or any other date in each year reasonably decided by the Landlord
Account Period	the period from and excluding one Account Date up to and including the next Account Date

Account Statement	a statement which is properly certified by a chartered surveyor or chartered accountant (and, if free of obvious error, to be accepted by the Tenant as conclusive subject to the Tenant's right to reasonably challenge the Total Charge by referring the matter to alternative dispute resolution in which event each party will bear its own costs) showing: (a) the Total Charge for the relevant Account Period; (b) the Due Proportion; (c) the Service Charge; (d) all sums received on account of the Service Charge for the relevant Account Period; and (e) any balance of the Service Charge due from the Tenant or refund due to the Tenant and which will: (f) be in a form reasonably consistent from year to year; (g) provide adequate details of and reasons for any material variations against the anticipated Service Costs; (h) be accompanied by a summary providing any other relevant information required by the Service Charge Code
Due Proportion	a fair and reasonable share as conclusively decided by a chartered surveyor or chartered accountant on the Landlord's behalf
Energy Levy	any taxes levies charges or assessments paid or payable by the Landlord or by a Group Company of the Landlord and/or any credits allowances or permits purchased by the Landlord or by a Group Company of the Landlord in each case relating to the consumption of energy or emission of greenhouse gases by or from the business of the Landlord and/or any Group Company of the Landlord from time to time
Relevant Date	the date of this Lease or (if earlier) the date the Tenant occupied the Property or the date of the End of the Tenancy
Service Charge	the Due Proportion of the Total Charge
Service Charge Code	the RICS Code of Practice "Service Charges in Commercial Property" which came into effect on 1 April 2007

Total Charge — the total of all Service Costs during an Account Period (net of any receipts from insurers, the Tenant or other occupiers of the Building or third parties (except by way of a service charge)) which are properly applicable towards payment of such Service Costs, *even* though the benefit of any of the Services may be enjoyed substantially after the End of the Tenancy if the Services are provided in good faith by the Landlord and generally benefit the tenants or a section of the tenants in the Building but excluding:

(i) costs in connection with the initial provision of items reasonably considered to be part of the original design and construction of the fabric, plant and equipment of the Building;

(j) costs of improvements to the fabric, plant and equipment of the Building unless this is the most reasonable course of action for the benefit of tenants and occupiers of the Building (and in assessing that the Landlord is entitled to take account of the environmental impact of, efficiency of the use of energy and water at and sustainability characteristics of the Building);

(k) costs relating to the future redevelopment of the Building;

(l) costs arising directly from any failure of the Landlord or its managing agent to use reasonable skill and care in the management of the Services and of the Service Costs;

(m) costs relating to any Unit which is unlet or any shortfall in the costs of providing the Services to a Unit for which the Landlord has agreed a special concession (which is not a properly constituted weighting formula); and

(n) costs relating to matters between the Landlord and an individual occupier of the Building including enforcement of covenants against that occupier, letting of a Unit, consents required under the relevant lease or rent reviews under the relevant lease

31.2 On and with effect from the date of this Lease (or with effect from the date the Tenant occupied the Property if earlier) and on each Rent Payment Date during the Tenancy, the Tenant will pay the Landlord such sum on account of the Service Charge as the Landlord reasonably demands having regard to actual and anticipated Service Costs.

31.3 At least one month before the start of each Account Period, the Landlord will give the Tenant:

(a) a statement of the anticipated Service Costs for that Account Period;

(b) an explanatory commentary where appropriate; and

(c) a statement of the estimated Service Charge for that Account Period.

31.4 Approximately six months after the start of each Account Period, the Landlord will review and, if necessary, revise the statement of the anticipated Service Costs for that Account Period. The Landlord will inform the Tenant if the revised figure exceeds the original estimate by more than 5%.

31.5 As soon as practicable after an Account Date (and no later than four months after the Account Date unless for reasons beyond the Landlord's control), the Landlord will give the Tenant an Account Statement for the Account Period ending on that Account Date and:

(a) if the Account Statement shows that a balance of the Service Charge is due from the Tenant, the Tenant will pay the balance to the Landlord within 14 days of receiving the Account Statement;

(b) if the Account Statement shows that a refund is due to the Tenant, the refund will:

(i) during the Tenancy be offset against future payments for the Service Charge; and

(ii) after the End of the Tenancy be offset against any other money due from the Tenant to the Landlord and any balance paid to the Tenant.

31.6 If any element of the Service Costs relates to any Energy Levy and if the Landlord or any group undertaking (as defined in section 1161(5) Companies Act 2006) of the Landlord receives any rebate or repayment that relates to any Energy Levy (a "Rebate") during the Tenancy, the Landlord will offset a fair and reasonable proportion (as reasonably determined by the Landlord) of the Rebate against the Service Costs for the Account Period current at the time the Rebate is received. If the Landlord or any group undertaking (as defined in section 1161(5) Companies Act 2006) of the Landlord receives a Rebate after the End of the Tenancy, the Landlord will offset a fair and reasonable proportion (as reasonably determined by the Landlord) of the Rebate against any other money due from the Tenant to the Landlord and any balance will be paid to the Tenant.

31.7 If the Relevant Date does not coincide with the start or end of an Account Period, then the Service Charge for the initial or final partial Account Period will be that proportion of the Service Charge which relates to the period starting on the Relevant Date apportioned on a daily basis according to the number of days in the whole of the relevant Account Period.

31.8 The Landlord will:

(a) allow the Tenant a reasonable period (being no more than four months) from the date of issue of the Account Statement in which to raise enquiries in respect of the Account Statement;

(b) respond promptly and efficiently to any reasonable enquiries raised by the Tenant; and

(c) make all supporting documents available for inspection upon request.

31.9 The Tenant will:

(a) co-operate fully with the Landlord and its managing agents to allow the Landlord to administer the Service Charge in accordance with this Part Five;

(b) respond promptly and efficiently to any reasonable enquiries raised by the Landlord; and

(c) follow all procedures reasonably required by the Landlord to maintain and promote the quality, economic effectiveness, environmental impact and energy and water efficiency of the Services.

31.10 This clause will still apply after the End of the Tenancy.

31.11 The Tenant's Service Charge liability shall be capped for each Account Period as follows:-

(a) for the period from and including the Term Start Date to and including the 31 March 2013 (the "First Account Period") to a maximum of £XXXXXX per annum (the "Base Figure") exclusive of VAT to be apportioned on a pro rata daily basis;

(b) for each of the following Account Periods the maximum liability (exclusive of VAT) shall be calculated in accordance with the following formula:

$$\frac{\text{Base Figure} \times A}{B}$$

where "A" = the Index figure last published before the date of each respective anniversary of the Term Start Date

and "B" =the Index figure last published before the Term Start Date EXCEPT where A is less than B then the maximum liability shall be the higher of (i) the Base Figure and (ii) the maximum liability for the preceding Account Period

31.12 For the purposes of clause 31.11 the "Index" shall mean the general index of retail prices (all items) maintained by the Central Statistical Office (or by any government department or other body upon which the duties in connection with such index shall have devolved) Provided that in the event of:-

(a) Any change after the date hereof in the reference base used to compile the Index the figure taken to be shown is the figure which would have been shown in the Index if the reference base current at the date hereof had been retained; or

(b) It becomes impossible by reason of any change after the date hereof in the method used to compile the Index or the Index being abolished or for any other reason whatsoever to apply the Index for the purposes herein contemplated and the parties are unable to agree an alternative index then the matter in dispute will be referred to arbitration under the Arbitration Act in forct;J at that time. The arbitrator is to be appointed (failing agreement between the parties) by or on behalf of the then President of the Royal Institution of Chartered Surveyors on the application of either party.

31.13 For the avoidance of doubt VAT is payable by the Tenant on and in addition to the Service Charge (including without limitation on the maximum liability calculated in accordance with clause 31.11).

31.14 It is agreed and declared by the Landlord and the Tenant that the service charge cap referred to at clause 31.11 is only intended to apply during the Term and as such shall not apply to, or be taken account of, in relation to any period of holding over or renewal of this Lease, whether such renewal or holding over occurs under the provisions of statute or otherwise.

PART SIX: ENVIRONMENTAL CERTIFICATES, ENERGY, WATER AND CARBON REDUCTION CO-OPERATION

32 CO-OPERATION- EPCS

Tenant to co-operate with Landlord

32.1 The Tenant will co-operate with the Landlord if the Landlord wishes to obtain an EPC or DEC for the Building. This will include allowing the Landlord's energy assessor, at reasonable times and on reasonable notice, to inspect, measure and test the Property and the materials, Conduits, Facilities, plant, equipment and fixtures and fittings there.

Landlord to co-operate with Tenant

32.2 The Tenant will give the Landlord at least five working days' notice before commissioning an EPC or DEC for the Property.

32.3 If the Landlord gives the Tenant an EPC or DEC sufficient for the Tenant to fulfil a Legal Obligation that requires an EPC or DEC by the end of the notice period in clause 32.2 the Tenant will not commission an EPC or DEC without the Landlord's prior written consent.

32.4 The Landlord will, at the Tenant's cost, co-operate with the Tenant if the Tenant commissions an EPC or DEC with the Landlord's consent in accordance with 32.3. This will include allowing the Tenant's energy assessor to enter appropriate parts of the Shared Areas if it complies with the conditions of paragraph (b) of Schedule 1.

32.5 If the Tenant commissions an EPC or DEC, the Tenant will promptly, but in any event before the EPC or DEC is produced, give its energy assessor any drawings, specifications or other information provided by the Landlord for that purpose.

33 MUTUAL CO-OPERATION AS TO ENVIRONMENTAL MATTERS

33.1 The Landlord will:

(a) as soon as reasonably practicable provide copies of any relevant drawings, specifications and other information held by the Landlord that the Tenant reasonably asks for relating to the efficiency of the use of energy or water, sustainability characteristics and waste management statistics at and of the Shared Areas; and

(b) at the Tenant's cost co-operate in a reasonable way with any reasonable and cost effective request by the Tenant to implement any energy-saving or carbon- reduction initiative relating to the Tenant's use of the Property. This does not apply if the initiative would result in a breach of the Tenant's covenants in this Lease.

33.2 The Tenant will:

(a) as soon as reasonably practicable provide copies of any relevant drawings, specifications and other information held by the Tenant that the Landlord reasonably asks for relating to the efficiency of the use of energy or water, sustainability characteristics and waste management statistics at or of the Property; and

(b) co-operate in a reasonable way with any reasonable and cost effective energy saving or carbon reduction initiative relating to the Building that the Landlord decides to implement.

33.3 If either the Landlord or the Tenant commissions an EPC or DEC relating to the Building or the Property (as the case may be) they will within 14 days of receiving the completed EPC or DEC give the other a copy of it and the drawings, specifications and other information on which it is based. This does not apply if, in the case of an EPC or DEC commissioned by the Tenant, the drawings, specifications and other information in question were provided by the Landlord.

PART SEVEN: FORFEITURE

34 **RE-ENTRY**

At any time after any of the following events, the Landlord may re-enter the Property. The Tenancy will then end (but without affecting the Landlord's rights and remedies for any prior claim or breach of covenant). The events are:

(a) if any Rent remains unpaid 21 days after it is due (whether formally demanded or not);

(b) if the Tenant or Guarantor does not comply with any of the material covenants and conditions in this Lease;

(c) if any execution or distress is levied on any goods on the Property; or

(d) if the Tenant or the Guarantor:

(i) is a company and makes a return or reduction of capital or is struck off the register of companies or dissolved or ceases to exist for any other reason; or

(ii) becomes Insolvent; or

(iii) suffers equivalent proceedings or events to those set out in this clause outside England and Wales; or

(iv) has an order made or proceedings raised against it that constitute main proceedings in any member state of the European Union.

PART EIGHT: GUARANTEE

35 **GUARANTOR'S COVENANT**

35.1 In consideration of this Lease having been granted at its request, the Guarantor covenants with the Landlord as a primary obligation (for the benefit of the Landlord and of the persons entitled from time to time to the Reversion without the need for any express assignment) that:

(a) the Tenant will:

(i) pay the Rents as and when specified in this Lease; and

(ii) duly observe and perform all the Tenant's covenants of this Lease

in both cases until the End of the Tenancy or (if sooner) completion of an assignment of this Lease (except an excluded assignment within the meaning of section 11(1) 1995 Act);

(b) the Tenant will duly observe and perform all the Tenant's covenants under any authorised guarantee agreement within the meaning of section 16 1995 Act entered into by the Tenant;

(c) if the Tenant fails to comply with any of the obligations referred to in clauses 35.1(a) or (b), the Guarantor will:

(i) comply with those obligations; and

(ii) pay and make good to the Landlord on demand on a full indemnity basis all losses, damages, costs and expenses arising from such default or incurred by the Landlord.

35.2 The Guarantor's liability under this Lease will not be affected in any way by:

(a) any neglect or forbearance of the Landlord in enforcing payment of the Rents or observance or performance of the covenants and provisions of this Lease or any authorised guarantee agreement entered into by the Tenant;

(b) any extra time or other concession given by the Landlord to the Tenant;

(c) any refusal by the Landlord to accept the Principal Rent from the Tenant following a breach of covenant by the Tenant;

(d) this Lease being disclaimed;

(e) the Tenant (being a corporation) being dissolved or ceasing to exist or suffering any legal limitation and/or immunity or incapacity;

(f) a surrender of part of the Property (except that the Guarantor will have no liability in relation to the surrendered part for any period after the date of surrender);

(g) any variation of this Lease or any authorised guarantee agreement entered into by the Tenant (but subject to section 18 1995 Act);

(h) any change in the constitution or powers of the Tenant, the Guarantor or the Landlord;

(i) the Tenant or the Guarantor being Insolvent;

(j) anything else by which, but for this provision, the Guarantor would be released.

35.3 The Guarantor waives any right to require the Landlord to proceed against the Tenant or to pursue any other remedy that may be available to the Landlord before proceeding against the Guarantor.

35.4 The Guarantor covenants with the Landlord that:

(a) it will not claim in any insolvency of the Tenant incompetition with the Landlord;

(b) it will hold all security and rights that it may have over the Tenant's assets for the benefit of the Landlord as security for the Tenant's liabilities.

35.5 The Guarantor will not be entitled to participate in or be subrogated to any security held by the Landlord for the Tenant's obligations or otherwise to stand in the place of the Landlord in respect of such security.

35.6 If:

(a) the Tenancy is ended under clause 34; or

(b) a liquidator or trustee in bankruptcy disclaims or surrenders this Lease; or

(c) the Tenant (being a company or limited liability partnership or other corporation) is struck off the relevant register or ceases to exist for any other reason

then the Guarantor will, if so required upon written notice from the Landlord given within six months of the Landlord becoming aware of the relevant event, accept from, execute and deliver to the Landlord at the Guarantor's cost a new lease of the Property. The new lease will be for a term equal to the then unexpired portion of the Term at the Principal Rent then payable under this Lease. The new lease will contain the same covenants and terms (with changes where appropriate) including any rent reviews as in this Lease (without, however, requiring any other person to act as guarantor). It will take effect from the date of the relevant event.

36 GUARANTEE ON ASSIGNMENT OR UNDERLETTING

36.1 If a guarantor for an assignee is required, the guarantor will covenant with the Landlord as if it were the Guarantor except that:

(a) the guarantee will take effect only from the date of the assignment; and

(b) the word "Assignee" is substituted for "Tenant".

36.2 If a guarantor for an undertenant is required, the guarantor will covenant with the Landlord as if it were the Guarantor (with changes where appropriate) but the provisions relating to disclaimer of this Lease will not apply.

37 NEW GUARANTOR

If any person who enters into covenants with the Landlord in accordance with this Part Eight dies or makes a return or reduction of capital or is dissolved or becomes Insolvent, the Tenant will give notice of the event to the Landlord within 14 days of it happening. If required by the Landlord, the Tenant will arrange within 28 days of such requirement for some other person acceptable to the Landlord (acting reasonably) to covenant by deed with the Landlord in the terms (with changes where appropriate) of clause 35.

38 FURTHER LEASES

The Guarantor will enter into any further lease of the Property granted by the Landlord to the Tenant under the 1954 Act or otherwise in order to guarantee the Tenant's obligations under that lease. The guarantee will be on terms identical to the terms of the guarantee in this Lease or on such other terms as the Landlord may reasonably require.

PART NINE: MISCELLANEOUS PROVISIONS

39 NO PLANNING ASSURANCE

39.1 The Landlord gives no assurance that the Property may lawfully be used for any purpose permitted by this Lease.

39.2 If the use permitted by this Lease is not authorised under the Planning Acts, the Tenant will remain bound by the restrictions on use contained in this Lease without being entitled to any compensation or relief.

40 EASEMENTS

Section 62 Law of Property Act 1925 does not apply to this Lease. Nothing contained or implied in this Lease operates expressly or implicitly to confer on or grant to the Tenant any easement, right, privilege, liberty or advantage except those expressly granted by this Lease.

41 COVENANTS

41.1 This Lease does not give the Tenant the benefit of or the right to enforce or prevent the release or modification of any covenant, agreement or condition relating to other property.

41.2 Each covenant in this Lease by the Tenant remains in full force at law and in equity despite any waiver or release, temporary or permanent, revocable or irrevocable, of any other covenants in this Lease or of any covenant affecting other property.

42 LIABILITY

The Landlord is not responsible (as far as it is lawful to exclude such responsibility) for any accident, injury, loss or damage:

(a) to the Tenant or to anyone in the Building with the Tenant's express or implied authority or to its or their property;

(b) due to any act, neglect or default of any other tenant of the Landlord or any officer, employee or agent of the Landlord or of any other person in the Building.

43 COMPENSATION

Any statutory right of the Tenant to claim compensation from the Landlord on vacating the Property or otherwise is excluded to the extent that the law allows.

44 DATA PROTECTION ACT 1998

For the purposes of the Data Protection Act 1998 or otherwise, the Tenant and the Guarantor (if any):

(a) acknowledge that information relating to this Lease will be held on computer and other filing systems by the Landlord or the Landlord's managing agent (if any) for general administration and/or enforcement of this Lease;

(b) agree to such information being used for such purposes and being disclosed to third parties so far only as is necessary in connection with:

(i) the management of the Landlord's interest in the insurance and/or maintenance of the Property;

(ii) checking the creditworthiness of the Tenant and the Guarantor; or

(iii) the disposal or sub-letting of the Property.

45 NOTICES

Section 196 Law of Property Act 1925 applies to any notices required or authorised to be given under this Lease. While the Property forms part of The Crown Estate, any notice to be given to the Landlord under this Lease must be addressed so as to be delivered to the Commissioners at their office at the time of giving the notice.

46 JURISDICTION

46.1 This Lease is governed by and is to be construed in all respects in accordance with English law.

47 LIMITATION OF LIABILITY

The Landlord will not be liable to the Tenant for the consequences of any failure by the Tenant to register or note at the Land Registry:

(a) this Lease where required by the Land Registration Act 2002;

(b) any of the rights granted or reserved by this Lease at the Land Registry either by notice or by way of caution against first registration, whichever is appropriate.

48 EXCLUSION OF SECURITY OF TENURE

48.1 The Landlord and the Tenant agree that sections 24 to 28 Landlord and Tenant Act 1954 do not apply to this Lease.

48.2 Before the Tenant entered into this Lease or (if earlier) became contractually bound to do so, a notice in the form or substantially in the form set out in Schedule 1 Regulatory Reform (Business Tenancies) (England and Wales) Order 2003 was duly served on the Tenant.

48.3 Before the Tenant entered into this Lease or (if earlier) became contractually bound to do so, either the Tenant or a person duly authorised by the Tenant to do so made a statutory declaration in the form or substantially in the form set out in Schedule 2 Regulatory Reform (Business Tenancies) (England and Wales) Order 2003.

48.4 The Landlord and the Tenant agree that sections 24 to 28 Landlord and Tenant Act 1954 do not apply to the lease (the "AGA Lease") which the Tenant may be obliged to take under an authorised guarantee agreement entered into under clause 11.4 of this Lease.

48.5 Before the Tenant became contractually bound to enter into the AGA Lease, a notice in the form or substantially in the form set out in Schedule 1 Regulatory Reform (Business Tenancies) (England and Wales) Order 2003 was duly served on the Tenant.

48.6 Before the Tenant became contractually bound to enter into the AGA Lease, either the Tenant or a person duly authorised by the Tenant to do so made a statutory declaration in the form or substantially in the form set out in Schedule 2 Regulatory Reform (Business Tenancies) (England and Wales) Order 2003.

48.7 There is no agreement for lease to which this Lease gives effect.

49 BREAK CLAUSE

49.1 If the Tenant wishes to end the Tenancy on the Break Date and gives the Landlord at least six months' written notice ending on the Break Date then, subject to the pre- conditions in clause 49.2, when the notice expires, the Tenancy will end although this will not affect the Landlord's rights and remedies for any prior claim or breach of covenant.

49.2 The pre-conditions are that:

(a) the Tenant has paid all of the Principal Rent and any VAT in respect of it which was due to have been paid;

(b) the Tenant gives up occupation of the whole of the Property on the Break Date; and

(c) there are no continuing underleases or other rights of occupation affecting the Property on the Break Date.

49.3 The Landlord may waive any of the pre-conditions set out in clause 49.2 at any time on or before the Break Date by written notice to the Tenant.

49.4 Within 14 days of the Tenancy ending in accordance with this Clause 49 the Landlord shall refund to the Tenant any Principal Rent that the Landlord has received from the Tenant that relates to any period following the Break Date.

This Lease is executed as a deed by the parties and is delivered and takes effect on the date at the beginning of this Lease.

Schedule 1

The Tenant and those deriving title through or otherwise authorised by the Tenant will have the following rights in common with others during the Tenancy (subject always to complying with the Regulations):

(a) the right of access to and from the Property on foot through the Shared Areas and the right otherwise to use the Shared Areas for the purposes for which they are intended;

(b) the right to enter those parts of the Shared Areas as are necessary to enable the Tenant to produce an Environmental Certificate relating to the Property if the Tenant complies or procures compliance with the following conditions:

(i) the Tenant will give the Landlord at least two days' written notice of an intention to exercise this right;

(ii) the Tenant will comply with any reasonable conditions notified to it by the Landlord including an obligation to make good and reinstate any part of the Building damaged or affected by the exercise of this right to the Landlord's reasonable satisfaction;

(iii) the Tenant must cause as little interference and disturbance as reasonably possible and leave the relevant area as quickly as reasonably practicable and make good any damage caused;

(c) The Tenant's access to or from the Property outside the Business Hours is subject to the following conditions:

(i) the Tenant will use only those parts of the Shared Areas as the Landlord reasonably designates from time to time;

(ii) the right applies only to the Tenant's staff and to visitors accompanied at all times by the Tenant's staff;

(iii) the Tenant will make sure that the doors to the Building are locked when its staff or visitors enter or leave;

(iv) the Landlord does not have to provide all of the Services (as defined in Part Five) normally provided during Business Hours including central heating, air conditioning, a lift service or security staff; and

(v) the Tenant will pay the Landlord within 14 days of receiving of a written demand the whole or, if appropriate, a fair proportion of any Service Costs (as defined in Part Five) arising from making use of the right and any additional security requirements such as additional key fobs relating to the access outside the Business Hours shall be at the Tenant's cost;

(d) the right (subject to the regulations of any appropriate Authority) to connect into and use Conduits for the supply of services and for drainage which are made available by the Landlord for connection to the Property and the Units if the Tenant complies or procures compliance with the following conditions:

(i) the Tenant will allow the Landlord to fit such metering or sub-metering equipment reasonably required by the Landlord as part of the Tenant's connection works;

(ii) where possible and if requested to do so by the Landlord the Tenant will enter into a direct supply agreement with the utility provider relating to the supply in question;

(e) the right to display the Tenant's name on the Ground Floor tenant board and Third Floor in house style.

Schedule 2

Reservations

The following rights are reserved to the Landlord and persons authorised by the Landlord:

(a) the right to the free and uninterrupted passage and running of water, drainage, gas, electricity, communication and other services by any Conduit or Facility now or after the date of this Lease on, under or through the Property;

(b) the right to upon reasonable prior notice (save in emergency):

(i) inspect the Property to find out whether the Tenant is complying with this Lease or to view its state and condition or to make surveys, schedules or inventories or to show the Property to possible tenants or purchasers;

(ii) inspect and carry out cleaning, decoration, maintenance, repair, renewal, construction, alteration, improvement and demolition and ancillary works to any Adjoining Property or in connection with the provision of Services;

(iii) connect into, inspect, clean, maintain, test, repair, renew, alter, divert or remove any Conduit or Facility or install any new Conduit or Facility;

(iv) fit and (where appropriate) update such metering or sub-metering equipment reasonably necessary to enable the supply of water, gas, electricity, phone, heating, cooling, ventilation and other services to or from the Property to be calculated separately;

(c) the right to enter the Property at all reasonable times after at least two days' notice (or immediately in an emergency) with tools and equipment (if appropriate):

(i) for any of the purposes listed in (b) above; or

(ii) to prepare Environmental Certificates relating to the Building or any part of it; or

(iii) to gain access to the roof or any balconies or terraces or other outside features at the Building; or

(iv) for any other reasonable purpose

the person entering causing as little damage and disturbance as reasonably practicable and making good as soon as practicable any damage to the Property so caused;

(d) the right to enter the Property at any time without notice with tools and equipment (if appropriate) to carry out works after the Tenant's failure to comply with a notice served under clause 7.8 or 8.7 (without affecting any other remedy available to the Landlord) and also under clause 12;

(e) the right to do work of cleaning, decoration, maintenance, repair, renewal, construction, alteration, improvement, demolition and redevelopment and ancillary work to any Adjoining Property and otherwise to use in any way any Adjoining Property despite interference with or obstruction of the access of light and air to the Property or temporary interference with or obstruction of any other right granted with or otherwise enjoyed by the Property. So far as practicable, pedestrian access to the Property and water, drainage, gas and electricity services (where applicable) will be maintained at all times during the Business Hours;

(f) the right to put up reletting notices on suitable parts of the Property during the six months before the End of the Tenancy and notices relating to the disposal or acquisition of any reversionary interest at any time;

(g) the right to provide fire escape routes through the Property for the benefit of any Adjoining Property but in so doing to cause as little inconvenience as possible to the Tenant;

(h) the rights of light, air, support, shelter and all other easements and rights now or after the date of this Lease belonging to or enjoyed by any Adjoining Property;

(i) the right:

(i) to build. on or into any boundary or party wall of the Property or the Building and to place or lay footings for any intended party structure with such foundations as the Landlord may consider necessary and to keep and maintain such footings and foundations even if it affects the passage of light or air to the Property;

(ii) to put up scaffolding for repairing, maintaining, cleaning or altering any building now or after the date of this Lease on any Adjoining Property or to exercise any of the rights in this Schedule even though the scaffolding temporarily restricts access to or use and enjoyment of the Property provided that such scaffolding is taken down as soon as is reasonably practicable.

Schedule 3

Regulations

Waste may not be kept at the Property except temporary storage of waste in reasonable quantities in containers specifically approved by the Landlord acting reasonably. Waste will be made available for collection as and when specified from time to time by the Landlord. Waste disposal from the Property will comply with any recycling initiatives specified by the Landlord or any Authority.

2 No sound-amplification equipment may be used so as to be heard outside the Property.

3 Appropriate measures must be taken to prevent water freezing in Conduits within the Property.

4 Fire-escape doors and corridors must not be blocked or used except in emergency or for emergency drills (provided prior notification of the drill is given to the Landlord).

5 Vehicles must be loaded and unloaded only in service areas and at times allowed by the Landlord. Parking in or blocking service areas is not permitted. The Landlord reserves the right to remove or immobilise vehicles that do not comply with this Regulation.

6 The Property must be secured against intrusion when not in use.

7 The Shared Areas must not be blocked.

8 If the Tenant is permitted to use the Shared Areas for moving goods or materials, it must only use soft-wheeled trolleys or trucks that leave no blemish or mark.

SIGNED as a DEED by XENETIC BIOSCIENCES PLC
acting by the authorised director

Director

In the presence of:	***/s/ Veronika Oswald***
Witness Signature:	/s/ Oswald
Witness Name:	*/s/ Veronika Oswald*
Witness Address:	*93 Platts Lane* *London NW3 7NH*
Witness Occupation:	*Executive PA*

Exhibit 10.05

DATED 18th JULY 2000

RULES OF THE
LIPOXEN PLC
UNAPPROVED SHARE OPTION PLAN

(as amended by a resolution of the board of directors of Lipoxen PLC passed on 14 March 2006)

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17 Hanover Square London W1R 9AJ
Tel: 020 7917 8500 Fax: 020 7917 8555

Unapproved Share Option Scheme

RULES OF
THE LIPOXEN PLC
UNAPPROVED SHARE OPTION PLAN

INDEX

Rule

1 **INTERPRETATION**

1.1 In this Plan (unless the context otherwise requires) the following words and phrases have the meanings given below:

"Acquiring Company"	a company which has obtained control of the Company or has become bound or entitled to acquire shares;
"AIM"	the Alternative Investment Market of the London Stock Exchange;
"Associated Company"	has the meaning given for the purposes of section 521(3) of ITEPA by paragraph 35(1) of Schedule 4 to ITEPA;
"the Auditors"	the auditors of the Company for the time being;
"the Committee"	the Remuneration Committee of the Directors or such other committee comprising a majority of non-executive directors of the Company to which the Directors may delegate responsibility for the operation of this Plan;
"the Company"	Lipoxen PLC (registered number 3213174);
"control"	has the meaning given in section 840 of the Taxes Act;
"the Date of Grant"	in relation to any Option, the date on which that Option is granted;

“Dealing Day”	a day on which the London Stock Exchange is open for business;
“the Directors”	the board of directors of the Company from time to time or a duly constituted committee of such directors;
“Eligible Person”	any person who is a bona fide employee (including executive directors);
“Exercise Price”	in relation to an Option, the price per Share payable upon the exercise of that Option;
“the Group”	the Company and each and every company which is for the time being a Subsidiary;
“ITEPA”	the Income Tax (Earnings and Pensions) Act 2003;
“the London Stock Exchange”	London Stock Exchange Limited;
“Market Value”	when the Shares are traded on the London Stock Exchange, the middle market quotation of a Share as derived from the Official List for the immediately preceding Dealing Day; or in any other case, on any day the amount determined by the Directors to be the market value of a Share in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act, 1992;

“the Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies or AIM Companies (as the case may require) issued by the UK Listing Authority from time to time;
“New Option”	the right to subscribe for shares in the Acquiring Company or in a company which has control of an Acquiring Company granted or to be granted to Optionholders by an Acquiring Company in exchange for an Option pursuant to Rule 12.4;
“New Shares”	the Shares over which a New Option is granted pursuant to Rule 12.4;
“the Official List”	the daily Official List published by The London Stock Exchange;
“Option”	right to subscribe for Shares granted in accordance with and subject to the rules of this Plan;
“Optionholder”	a person who has been granted an Option or if that person has died, his Personal Representatives;
“Option Tax Liability”	in relation to any Optionholder, any liability of the Company, and/or any company in the Group to account for any amount of income tax or other tax arising in relation to his Option or its exercise to the extent permitted by law;

“Ordinary Share Capital”	issued share capital of the Company;
“Personal Representatives”	in relation to an Optionholder, the legal personal representatives of the Optionholder (being either the executors of his will to whom a valid grant of probate has been made or if he dies intestate the duly appointed administrator(s) of his estate) who have provided to the Directors evidence of their appointment as such;
“this Plan”	The Lipoxen PLC Unapproved Share Option Plan as set out in these rules and amended from time to time;
“Shares”	fully-paid ordinary shares in the capital of the Company;
“Subsidiary”	any company which is for the time being both a subsidiary (as defined in section 736 of the Companies Act 1985) of the Company and under the control of the Company;
“the Taxes Act”	the Income and Corporation Taxes Act 1988.
“the UK Listing Authority”	the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000.

1.2 References to an Option vesting or being or becoming vested in respect of any number or proportion of the Shares over which it subsists are to be read as references to the Option becoming capable of being exercised either immediately or, subject to the Optionholder continuing to hold office or employment within the Group (or with any Associated Company), at some future time.

1.3 References to Shares in respect of which an Option subsists at any time are to be read and construed as references to the Shares over which the Option is then held (and in respect of which it has not then lapsed and ceased to be exercisable).

1.4 Any reference to any enactment includes a reference to that enactment as from time to time modified extended or re-enacted.

1.5 Words denoting the masculine gender shall include the feminine.

1.6 Words denoting the singular shall include the plural and vice versa.

2 ELIGIBILITY

2.1 Subject to the following provisions of this rule 2, the Directors shall have an absolute discretion as to the selection of persons to whom an Option is granted by the Company.

2.2 An Option shall not be granted to any person unless he is an Eligible Person.

2.3 An Option shall not be granted to any person within the period of 2 years ending with the date on which that person is bound to retire in accordance with the terms of his contract of employment.

2.4 No Option shall be granted to an executive director of the Company unless such grant has been approved by a majority of the non-executive directors.

3 **GRANT OF OPTIONS**

3.1 An Option may only be granted:

3.1.1 at any time within the period of 42 days beginning with the date on which this Plan is adopted by the Directors; and

3.1.2 thereafter, where the Shares are traded on the London Stock Exchange or AIM, during the period of 42 days following the date of notification to the London Stock Exchange of the annual or half yearly results of the Company; and

3.1.3 within a period of 14 days immediately after the person to whom it is granted first becomes an Eligible Person; and

3.1.4 at any other time but only if, in the opinion of the Directors, the circumstances are exceptional.

3.2 In the event of the Company being restricted by statute, order or regulation (including any regulation, order or requirement imposed on the Company by the UK Listing Authority or the London Stock Exchange or any other regulatory authority) from granting an Option in accordance with rule 3.1, an Option may be granted at any time during the period of 42 days after the removal of all such restrictions on that occasion.

3.3 No Option may be granted after the tenth anniversary of the adoption of this Plan by the Directors.

3.4 An Option shall be granted by the Company executing as a deed and issuing to the Optionholder an option certificate which contains an undertaking by the Optionholder (duly executed as a deed) to be bound by the rules of this Plan and which specifies:

3.4.1 the Date of Grant;

3.4.2 the number of Shares in respect of which the Option is granted;

3.4.3 the Exercise Price;

3.4.4 the earliest date on which the Option may be exercised by reason of rule 8.2;

3.4.5 that the exercise of the Option may be subject to such performance related conditions determined by the Directors and notified to the Optionholder at the Date of Grant;

3.4.6 that the Optionholder agrees to indemnify the Company and any company in the Group in respect of any Option Tax Liability

and is otherwise in such form as the Company may from time to time determine.

3.5 The Optionholder shall be entitled to renounce, surrender or cancel, or agree to the cancellation of, an Option within the period of 30 days immediately following the Date of Grant and if an Option is so renounced, surrendered or cancelled it shall be deemed for the purposes of rule 10 never to have been granted.

4 RELATIONSHIP WITH CONTRACT OF EMPLOYMENT

4.1 The grant of an Option does not form part of the Optionholder's entitlement to remuneration or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Company or any Subsidiary or Associated Company or former Subsidiary or former Associated Company give such person any right or entitlement to have an Option granted to him in respect of any number of Shares or any expectation that an Option might be granted to him whether subject to any conditions or at all.

4.2 The rights and obligations of an Optionholder under the terms of his contract of employment with the Company or any Subsidiary or Associated Company or former Subsidiary or former Associated Company shall not be affected by the grant of an Option.

4.3 The rights granted to an Optionholder upon the grant of an Option shall not afford the Optionholder any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the Company or any Subsidiary or Associated Company or former Subsidiary or former Associated Company for any reason whatsoever.

4.4 An Optionholder shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being or becoming unable to exercise an Option in consequence of the loss or termination of his office or employment with the Company or any Subsidiary or Associated Company or former Subsidiary or former Associated Company for any reason (including, without limitation, any breach of contract by his employer) or in any other circumstances whatsoever.

5 NON-TRANSFERABILITY OF OPTIONS

5.1 During his lifetime only the individual to whom an Option is granted may exercise that Option.

5.2 An Option shall immediately cease to be exercisable if:

5.2.1 it is purported to be transferred or assigned (other than to his Personal Representatives upon the death of the Optionholder), mortgaged, charged or otherwise disposed of by the Optionholder; or

5.2.2 the Optionholder is adjudicated bankrupt or a bankruptcy order is made against the Optionholder pursuant to Chapter 1 of Part IX of the Insolvency Act 1986; or

5.2.3 the Optionholder is otherwise deprived (otherwise than on death) of the legal or beneficial ownership of the Option by operation of law or by the Optionholder doing or omitting to do anything which causes him to be so deprived.

6 EXERCISE PRICE

The Exercise Price shall be determined by the Directors and shall be the Market Value of a Share on the day the Option was granted pursuant to Rule 3, provided always that the Exercise Price shall not be less than the nominal value of a Share:

7 PERFORMANCE-RELATED CONDITIONS OF EXERCISE

7.1 The exercise of an Option may be conditional upon the performance of the Company and, if the Directors so determine, upon the performance of a Subsidiary and/or the Optionholder over such period and measured against such objective criteria as shall be determined by the Directors and notified to the Optionholder when the Option is granted.

7.2 Any such condition may provide that the Option shall become vested in respect of a given number or proportion of the Shares over which it subsists according to whether, and the extent to which, any given performance target is met or exceeded.

7.3 If, in consequence of a performance condition being met, an Option becomes vested in respect of some but not all of the number of Shares over which it subsists it shall thereupon lapse and cease to be exercisable in respect of the balance of the Shares over which it was held.

8 EXERCISE OF OPTIONS

Latest time for exercise

8.1 An Option may not in any event be exercised:

8.1.1 later than the tenth anniversary of the Date of Grant or such earlier time as the Company shall determine and notify to the Optionholder when the Option is granted; nor

8.1.2 at any time when to do so would cause either the Optionholder or the Company to contravene the Model Code, where applicable.

8.2 Save as provided in rules 8.3, 8.4, 8.5, 8.6, 11 and 12 Options granted to any Eligible Person shall be exercisable as to not more than 50% of such Options on or after the first anniversary of the relevant Date of Grant, 25% of such Options on or after the second anniversary of the relevant Date of Grant; and 25% of such Options on or after the third anniversary of the relevant Date of Grant.

Death of Optionholder

8.3 If an Optionholder dies in service after an Option granted to him has become vested in respect of any number of Shares then such Option may be exercised by his Personal Representatives in respect of such Shares within the period of 6 months beginning with the date of his death, and if not then exercised shall lapse and cease to be exercisable at the end of that period.

8.4 If an Optionholder dies in service before an Option granted to him has become vested in respect of any Shares such Option may, within the period of 6 months beginning with the date of death, be exercised by his Personal Representatives and if not then exercised shall lapse and cease to be exercisable at the end of that period of 6 months.

8.5 If an Optionholder dies after ceasing to hold office or employment within the Group an Option granted to him may, within the period of 6 months beginning with the date of death, be exercised by his Personal Representatives in respect of such of the Shares as were vested and in respect of which the Option could have been exercised at the time of death and if not then exercised shall lapse and cease to be exercisable at the end of that period of 6 months.

Injury, disability, redundancy, retirement etc

8.6 If an Optionholder ceases to hold office or employment within the Group by reason of:

8.6.1 injury, ill-health or disability (evidenced to the satisfaction of the Directors); or

8.6.2 dismissal by reason of redundancy (within the meaning of the Employment Rights Act 1996); or

8.6.3 retirement on reaching the age at which he is bound to retire in accordance with the terms of his contract of employment; or

8.6.4 the company with which he holds office or employment by virtue of which he is eligible to participate in this Plan ceasing to be an Associated Company or a member of the Group; or

8.6.5 the fact that the office or employment by virtue of which he is eligible to participate in this Plan relates to a business or part of a business which is transferred to a company which is neither an Associated Company nor a member of the Group

then, subject to rule 8.5, an Option granted to him may be exercised within the period of 6 months beginning with the date on which the Optionholder so ceases and in respect of any Options held by the Optionholder, whether or not vested at that date

and if not then exercised in respect of any Shares shall lapse and cease to be exercisable at the end of that period of 6 months.

Leaving for other reasons

8.7 If an Optionholder ceases to hold office or employment within the Group for any reason other than those set out in rules 8.3, 8.4 and 8.6 then, subject to rule 8.5, an Option granted to him may only be exercised in respect of such number of Shares in respect of which it had become vested at that date within a period of 6 months from the date on which the Optionholder so ceases and if not then exercised shall lapse and cease to be exercisable at the end of that period of 6 months. Any Options granted to him which have not become vested at the date of cessation shall lapse and cease to be exercisable as at the date of cessation.

8.8 For the purposes of this rule 8 an Optionholder shall not be treated as having ceased to hold office or employment within the Group unless and until he no longer holds any office or employment with any member of the Group or with any Associated Company.

8.9 For the purposes of this Rule 8, a female Optionholder whose employment has been terminated in circumstances such that, pursuant to Part VIII of the Employment Rights Act 1996 she has a right to return to work, shall not be treated as having ceased to hold office or employment within the Group by reason of such termination until such time as such right shall cease to subsist.

9 **MANNER OF EXERCISE OF OPTIONS**

9.1 An Option shall be exercised only by the Optionholder serving a written notice upon the Company (acting as agent for the Company) which:

9.1.1 specifies the number of Shares in respect of which that Option is exercised which in any event shall not exceed any maximum permitted by these Rules; and

9.1.2 is accompanied by payment of an amount equal to the product of the number of Shares specified in the notice and the Exercise Price; and

9.1.3 unless the Directors otherwise permit, is accompanied by the option certificate in respect of that Option; and

9.1.4 is accompanied by evidence satisfactory to the Committee that such arrangements have been made as the Committee may from time to time reasonably require (and notify to Optionholders on request) to ensure that any Option Tax Liability will be reimbursed to the person which has accounted for such liability

and is otherwise in such form as the Directors may from time to time determine.

9.2 Within the period of 30 days beginning with the date on which the requirements of rule 9.1 are satisfied, the Company shall allot to the Optionholder (or such other person as the Optionholder may direct) such number of Shares as is specified in the notice.

9.3 As soon as reasonably practicable after the allotment of any Shares pursuant to rule 9.2, the Company shall issue to the Optionholder (or other person as directed by the Optionholder) a definitive share certificate or such acknowledgement of shareholding as is prescribed from time to time in respect of the Shares so allotted.

9.4 The allotment of any Shares under this Plan shall be subject to the Memorandum and Articles of Association of the Company and to any necessary consents of any governmental or other authorities under any enactments or regulations from time to time in force and it shall be the responsibility of the Optionholder to comply with any requirements to be fulfilled in order to obtain or obviate the necessity of any such consent.

9.5 All Shares allotted under this Plan shall rank equally in all respects with the Shares for the time being in issue save as regards any rights attaching to such Shares by reference to a record date prior to the date of such allotment.

9.6 No Option shall be quoted or dealt in on any stock exchange or other market but upon the allotment of any shares hereunder, the Company shall, where its Shares are traded on the London Stock Exchange, apply to the London Stock Exchange for the Shares to be admitted to trading on the London Stock Exchange or AIM and/or for listing thereof by the UK Listing Authority (as the case may require).

10 OVERALL LIMITS ON THE GRANTING OF OPTIONS

The number of Shares in respect of which Options may be granted on a given day in any year, when added to the number of Shares in respect of which Options have previously been granted (and, if not exercised, have not then ceased to be exercisable) in that year and the 9 preceding years, shall not exceed 15% of the Ordinary Share Capital on that day.

11 DEMERGER, RECONSTRUCTION OR WINDING-UP

11.1 Subject to rule 8.1, in the event that notice is given to shareholders of the Company of a proposed demerger of the Company or of any Subsidiary the Company may give notice to Optionholders that Options may then be exercised in respect of all the Shares over which they subsist (notwithstanding that any performance related condition subject to which any Option may be then exercisable is not then satisfied) within such period (not exceeding 30 days) as the Company may specify in such notice to Optionholders SAVE THAT:

11.1.1 no such notice to Optionholders shall be given unless the Auditors have confirmed in writing to the Company that (disregarding any performance-related condition subject to which any Option may be then exercisable) the interests of Optionholders would or

might be substantially prejudiced if before the proposed demerger has effect Optionholders could not exercise their Options and be registered as the holders of the Shares thereupon acquired; and

11.1.2 in the case of Optionholders who are executive Directors of the Company, a majority of the non-executive Directors consent to such exercise being permitted.

11.2 Subject to rule 8.1, if the court sanctions a compromise or arrangement proposed for the purposes of or in connection with a plan for the reconstruction of the Company or its amalgamation pursuant to section 425 of the Companies Act 1985 the Optionholder shall be entitled to exercise his Option during the period of 6 months commencing on the date on which the court sanctions the compromise or arrangement, notwithstanding that any performance-related condition subject to which such Option may be then exercisable is not then satisfied, and thereafter the Option shall lapse and cease to be exercisable.

11.3 In the event of notice being given to holders of Shares of a resolution for the voluntary winding-up of the Company, an Option may, subject to rule 8.1, be exercised at any time before the commencement of the winding-up, notwithstanding that any performance related condition subject to which such Option is then exercisable is not then satisfied, and thereafter the Option shall lapse and cease to be exercisable.

11.4 All Options shall immediately lapse and cease to be exercisable upon the commencement of a winding-up of the Company.

12 TAKE-OVER

12.1 Subject to rule 8.1 and notwithstanding rule 8.2, if, as a result of either:

12.1.1 a general offer to acquire the whole of the Ordinary Share Capital which is made on a condition such that if it is satisfied the person making the offer will have control of the Company; or

12.1.2 a general offer to acquire all the shares in the Company of the same class as the Shares

the Company shall come under the control of another person or persons, the Optionholder shall, notwithstanding that any performance-related condition or other objective criterion subject to which such Option may be then exercisable is not then satisfied, be entitled to exercise his Option within the period of 6 months of the date when the person making the offer has obtained control of the Company and any condition subject to which the offer is made has been satisfied or waived and to the extent that the Option is not then exercised it shall upon the expiration of that period lapse and cease to be exercisable.

12.2 Subject to rule 8.1 and notwithstanding rule 8.2, if at any time before an Option has lapsed any person becomes entitled or bound to acquire shares in the Company under sections 428 to 430F (inclusive) of the Companies Act 1985 the Optionholder shall. notwithstanding that any performance-related condition subject to which such Option may be then exercisable is not then satisfied, be entitled to exercise his Option at any time when that person remains so entitled or bound and to the extent that the Option is not then exercised it shall upon the expiration of that period lapse and cease to be exercisable.

12.3 For the purposes of this rule 12 a person shall be deemed to have control of a company if he and others acting in concert with him have together obtained control of it.

12.4 If a company has obtained control of the Company (as mentioned in Rule 12.1) or has become bound or entitled (as mentioned in Rule 12.2), an Optionholder may, at any time during the period of 6 months by agreement with the Acquiring Company, release to the Acquiring Company his Options in consideration of the grant to him of New Options over New Shares provided that:-

12.4.1 any such New Option shall confer a right to acquire such number of New Shares as have a total Market Value immediately after the grant equal to the total Market Value of the Shares subject to the Option immediately before the release;

12.4.2 the total amount payable by an Optionholder under any such New Option shall equal the total amount that would have been payable for the acquisition of all the Shares subject to the Option immediately before the release;

12.4.3 Any such New Option shall otherwise be exercisable in the same manner as the corresponding Option released and subject to the Rules of the Scheme as they had effect immediately before the release except that, with effect from a release pursuant to this paragraph 12.4, references in these Rules to "the Company" and to "Shares" shall in relation to a New Option be construed respectively as references to the Acquiring Company (or, as the case may be, any other company in respect of whose shares the New Option is granted) and to New Shares;

12.4.4 A New Option shall, for all other purposes of the Plan, be treated as having been granted at the same time as the corresponding Option; and, as soon as practicable after the grant of a New Option, the Acquiring Company shall issue to the Optionholder an Option Certificate in relation to such New Option referring to this Plan and setting out the name of the Employee, the number and denomination of New Shares comprised in the New Option, the date on which the New Option shall be deemed to be granted, the price at which the New Shares may be acquired under the New Option and the period during which the New Option may be exercised and shall be otherwise in such form (not inconsistent with the provisions of the Plan) as the Directors may from time to time determine; and

12.4.5 In any case where agreement is reached with the Acquiring Company for the release of Options in consideration of the grant to the Optionholder of New Options over New Shares, the Optionholder shall not be entitled to exercise his Options pursuant to Rule 12.1 or 12.2.

13 VARIATION OF SHARE CAPITAL

13.1 In the event of any alteration of the Ordinary Share Capital by way of capitalisation or rights issue, or sub-division, consolidation or reduction or any other variation in the share capital of the Company, the Company may make such adjustment as it considers appropriate:

13.1.1 to the aggregate number or amount of Shares subject to any Option, and/or

13.1.2 to the Exercise Price payable for each Share under any such Option, and/or

13.1.3 where an Option has been exercised but no Shares have been allotted in accordance with rule 9.2, to the number of Shares which may be so allotted and the Exercise Price payable for each such Share

PROVIDED THAT:

13.1.3.1 except in the case of a capitalisation issue, any such adjustment is confirmed in writing by the Auditors to be in their opinion fair and reasonable; and

13.1.3.2 except insofar as the Directors (on behalf of the Company) agree to capitalise the Company's reserves and apply the same at the time of exercise of the Option in paying up the difference between the Exercise Price and the nominal value of the Shares, the Exercise Price in relation to any Option is not reduced below the nominal value of a Share; and

13.1.3.3 any such adjustment which is to be made to the terms of an Option granted by a person other than the Company shall not have effect unless it is approved by such person.

13.2 As soon as reasonably practicable after any such adjustment has effect in relation to any Option the relevant Company of the Option shall give notice in writing to the Optionholder.

14 LEGAL AND TAX OBLIGATIONS

14.1 The exercise of Options (and/or the allotment of Shares) will be subject to such additional conditions and procedures as the Company may determine are necessary or desirable for the time being in order to comply with or take into account any legal or taxation obligations of, or implications for, a company of such exercise. In particular, the Company may require an Optionholder to enter into a voluntary agreement with it or another company to assume all or any part of any employer's national insurance liability arising on the exercise of an Option or to make a joint election with it such that the Optionholder is legally liable for all or part of the employer's national insurance liability. For the avoidance of doubt, and without limiting any of the foregoing, where a Group Company is obliged to account for any Option Tax Liability (in any jurisdiction) for which the person in question is liable by virtue of exercising the option the exercise of the Option may be subject to a requirement that the person exercising it has either:-

14.1.1 made a payment to any Group Company of an amount equal to the Option Tax Liability; or

14.1.2 entered into arrangements with that or another Group Company to secure that such a payment is made (whether by authorising that Group Company to procure the sale of some or all of the Shares on his behalf and authorising the payment to the Group Company of the relevant amount out of the proceeds of sale or otherwise).

14.2 Where the Company's Shares are listed on the Stock Exchange or traded on the Alternative Investment Market of the Stock Exchange, then no Option may be exercised in contravention of the terms of such securities transactions rules of the Stock Exchange and any code applicable to the directors and employees of the Group relating to securities transactions as may from time to time be in force.

15 ALTERATION OF PLAN

15.1 The Directors may at any time alter or add to any of the provisions of this Plan in any respect PROVIDED THAT: no amendments may detrimentally affect an Optionholder as regards an Option granted prior to the amendment being made.

15.2 As soon as reasonably practicable after making any alteration or addition under this rule 15, the Directors shall give notice in writing thereof to any Optionholder affected.

16 **SERVICE OF DOCUMENTS**

16.1 Except as otherwise provided in this Plan, any notice or document to be given by, or on behalf of, the Company to any person in accordance or in connection with this Plan shall be duly given:

16.1.1 if he is a director or employee of any member of the Group or any Associated Company by delivering it to him at his place of work; or

16.1.2 by sending it through the post in a pre-paid envelope to the address last known to the Company to be his address and, if so sent, it shall be deemed to have been duly given on the date of posting; or

16.1.3 if he holds office or employment with any member of the Group or any Associated Company, by sending a facsimile transmission or any other electronic communication to a current facsimile or electronic communication number addressed to him at his place of work or his address last known to the Company and if so sent it shall be deemed to have been duly given at the time of transmission.

16.2 Any notice or document so sent to an Eligible Person and/or Optionholder shall be deemed to have been duly given notwithstanding that such Optionholder is then deceased (and whether or not the Company has notice of his death) except where his Personal Representatives have established their title to the satisfaction of the Company and supplied to the Company an address to which documents are to be sent.

16.3 Any notice in writing or document to be submitted or given to the Directors, the Committee, the Company in accordance or in connection with this Plan may be delivered, sent by post, telex, or facsimile transmission but shall not in any event be duly given unless it is actually received by the secretary of the Company or such other individual as may from time to time be nominated by the Directors and whose name and address is notified to Optionholders.

17 **MISCELLANEOUS**

17.1 The Company shall at all times keep available sufficient authorised but unissued Shares to satisfy the exercise in full of all Options for the time being remaining capable of being exercised under this Plan.

17.2 Subject to Rule 15.1 the Directors or the Committee may from time to time make and vary such rules and regulations not inconsistent herewith and establish such procedures for the administration and implementation of this Plan as they think fit and in the event of any dispute or disagreement as to the interpretation of this Plan or of any such rules, regulations or procedures or as to any question or right arising from or related to this Plan, the decision of the Directors or the Committee shall (except as regards any matter required to be determined by the Auditors hereunder) be final and binding upon all persons.

17.3 In any matter in which they are required to act hereunder, the Auditors shall be deemed to be acting as experts and not as arbitrators and the Arbitration Acts 1950-1996 shall not apply hereto.

17.4 Optionholders shall be entitled to receive copies of all accounts circulars and notices (other than proxy or voting forms) sent to holders of Shares but shall have no right to attend general meetings of the Company.

17.5 The costs of the administration and implementation of this Plan shall be borne by the Company.

SCHEDULE 1

THE LIPOXEN PLC UNAPPROVED SHARE OPTION PLAN

OPTION CERTIFICATE

Name of Optionholder: Address of Optionholder:

Date of Grant:

Maximum Number of Shares:

Exercise Price:

LIPOXEN PLC HEREBY GRANTS to the Optionholder named above an Option to subscribe for the above number of Shares in the Company at the above Exercise Price. This Option is exercisable subject to and in accordance with the rules of The LIPOXEN PLC Unapproved Share Option Plan as they are amended from time to time.

Exercise of the Option may also subject to the performance-related condition(s) of exercise set out in the Appendix to this Option Certificate.

The Option is not transferable but may be exercised by your personal representatives in the event of your death.

An Optionholder, whether or not a director of any company, shall not be entitled to exercise an Option at any time when to do so would contravene the provisions of the Company's code governing share dealings by directors and employees.

EXECUTED AS A DEED by

LIPOXEN PLC

acting by:

Secretary/Director _____

Director _____

I HEREBY AGREE to accept the grant of this Option and agree and undertake:

(1) to be bound by the terms and conditions set out in the rules of The LIPOXEN PLC Unapproved Share Option Plan and any performance related condition(s) of exercise which may be set out in the Appendix to this Option Certificate;

(2) that to the extent any Option Tax Liability (as defined in the Plan Rules) has not been paid within 21 days from receipt of notice from the Company, my employing company is authorised to make deductions from subsequent salary payments and to apply the amounts so deducted in reimbursing the person which has accounted for such liability;

(3) to indemnify the Company and each company in the Group and each Associated Company in respect of any Option Tax Liability and to pay such Option Tax Liability within 21 days of receipt of notice from the Company of the amount of tax payable arising from the exercise of the Option.

SIGNED but not delivered until the date hereof

AS A DEED by

in the presence of:

Witness signature: _____

Witness name *(print):* _____

Address: _____

Occupation:

THE LIPOXEN PLC UNAPPROVED SHARE OPTION PLAN

NOTICE OF EXERCISE OF OPTION

To: Company Secretary, Lipoxen PLC *(print registered address)*

1

I hereby exercise the Option referred to overleaf in respect of all/ * of the shares over which the Option may be exercised, and request the allotment or transfer to me of those shares in accordance with the rules of the Plan and the Memorandum and Articles of Association of the Company.

I enclose a cheque made payable to Lipoxen PLC in the sum of £ being the aggregate Exercise Price of such shares.

Name (block letters)

Address

Signature

Date _____

NOTES:

1 This form must be accompanied by payment of the Exercise Price for the shares in respect of which the Option is exercised.

2 Where the Option is exercised by personal representatives, an office copy of the Probate or Letters of Administration should accompany the form.

3 **The Plan has not been approved by HM Revenue and Customs.** There is currently no charge to income tax on the receipt of a right to acquire shares under such a plan. Under current tax law a charge to income or national insurance tax and employer's national insurance will arise on the exercise of the Option calculated by reference to the difference between the market value of the shares at the date of exercise and the price paid for them arising on the exercise of the Option. The Company may require you to pay all or part of its national insurance at its discretion and which is directly attributable to the exercise of the Option either under a voluntary agreement or through a joint election in either case made with you.

4 IMPORTANT: The Company does not undertake to advise you on the tax consequences of exercising your Option. If you are unsure of the tax liabilities which may arise, you should take appropriate professional advice before exercising your Option.

5 An Optionholder (whether or not a director) shall not be entitled to exercise an Option at any time when to do so would contravene the provisions of the Company's code governing share dealings by directors and employees.

Exhibit 10.06

XENETIC BIOSCIENCES PLC

2007 SHARE OPTION SCHEME

AND US ADDENDUM

(AS ESTABLISHED IN 2007 AND BY RESOLUTION OF SHAREHOLDERS IN 2010 AND AWARDED BY BOARD RESOLUTION IN 2012)

XENETIC BIOSCIENCES PLC

2007 SHARE OPTION SCHEME

THE RULES

1 These rules (the "**Rules**") together with the model form of option agreement attached hereto and marked by the Chairman of the Company for the purposes of identification ("**the Agreement**") (including the Conditions) and Xenetic Biosciences plc US Share Option Addendum to the Rules constitute the Xenetic Biosciences plc 2007 Share Option Scheme ("**the Scheme**"). The name of the Scheme was changed by board resolution on [ ] 2012.

2 Words and expressions defined in the Agreement have the same meaning herein and the following words and expressions shall (except where the context otherwise requires) have the following meanings in these Rules:

"**Announcement Date**"

the date on which the annual or half-year financial results of the Company are announced;

3 The Scheme was adopted by Lipoxen PLC (registered number 3213174) on 9 August 2007 for the grant of options to:

3.1 Eligible Employees under the EMI Code;

3.2 Eligible Employees otherwise than under the EMI Code

in each case substantially in accordance with the Agreement.

4 Subject to the limitations and conditions of the Scheme and unless prohibited by law, the Board may, in its absolute discretion within a period of 42 days immediately following an Announcement Date approve the grant without consideration of Options to any number of Eligible Employees provided that in any case:

4.1 an Option may also be granted within a period of:

4.1.1 42 days after the adoption of the Scheme; or

4.1.2 90 days after the person to whom it is granted became an Eligible Employee

4.2 an Option may be granted after the expiry of the said period of 42 days in circumstances determined by the Board to be exceptional; and

4.3 an agreement for the grant of Options shall be executed by the Company and the Option Holder as soon as reasonably practicable and subject thereto, such execution may take place after the expiry of the said 42 day period.

5 The Agreement may be amended from time to time in its model form by the Board or specifically in relation to any grant of an Option pursuant to the Scheme.

6 The Scheme shall be administered by the Board subject, in relation to each specific Option, to the terms applicable to that Option. The Board's decision on any matter concerning the Scheme or the interpretation of these Rules shall be final and binding.

7 No Eligible Employee shall be entitled as of right to the grant of an Option under the Scheme.

8 No Option may be granted at an Exercise Price that is less than the higher of:

8.1 the nominal value of a Share; and

8.2 the Market Value of a Share on the Date of Grant.

9 Options granted under the EMI Code shall only be granted to an Eligible Employee employed by a member of the Group which, save in the case of the Company, is also a qualifying subsidiary (as defined in paragraph 11 of Schedule 5).

10 The Board may from time to time make amendments to the Scheme provided that any amendment in connection with any subsisting Option may only be made pursuant to Condition 19.

11 The Company in general meeting, or the Board may at any time resolve to terminate the Scheme in which event no further Options shall be granted but such termination shall not in any way affect any subsisting Options under the Scheme granted before the date of termination.

12 No Option may be granted under the Scheme after the date falling on the tenth anniversary of the date of adoption of the Scheme.

13 The cost of establishing and operating the Scheme shall be borne by the Company and its Subsidiaries in such proportions as the Board shall determine.

XENETIC BIOSCIENCES PLC

US SHARE OPTION ADDENDUM TO
2007 SHARE OPTION SCHEME RULES

Approved by Board resolution on: 8 June 2010
Approved by shareholder resolution on: 30 June 2010

1 **ESTABLISHMENT AND PURPOSE**

1.1 Pursuant to paragraph 5 of the Rules, this Xenetic Biosciences plc US Share Option Addendum (the "***US Addendum***") is established effective as of the Effective Date.

1.2 The purpose of the US Addendum is to allow the Company to issue Options to purchase Shares to Eligible Employees of Xenetic Biosciences plc (the "Company") and its Subsidiaries that may, to the extent permitted or desirable, qualify as "incentive stock options" within the meaning of Section 422 of the Code in addition to qualifying as an EMI Option.

1.3 The US Addendum shall form part of the Scheme and shall not be a separate and independent plan. The terms and conditions of the Scheme apply to Options granted under the US Addendum except that where the Rules and the US Addendum conflict AND PROVIDED THAT such provision in the Rules is not required to satisfy the provisions of the EMI Code, the rules of the US Addendum will take precedence. Any Rules, terms or conditions specific to Options issued pursuant to the US Addendum are as set forth in the US Addendum.

1.4 Defined terms that are set forth in the Rules and the Agreement and used but not expressly defined in the US Addendum shall have the same meaning in the US Addendum as that set forth in the Scheme.

2 **DEFINITIONS**

"**Code**"

means the U.S. Internal Revenue Code of 1986, as amended, as well as any applicable regulations and guidance thereunder.

"**Effective Date**"

means the earlier of (i) the date that this US Addendum is first approved by the Company's shareholders, or (ii) the date this US Addendum is adopted by the Board.

"**Fair Market Value**"

means, as of any date, the value of the [Common Stock/Shares] determined by the Board in compliance with Section 409A of the Code or, in the case of an Incentive Stock Option, in compliance with Section 422 of the Code.

"**Incentive Stock Option**"

means an Option that qualifies as an "incentive stock option" within the meaning of Section 422 of the Code.

"**Nonstatutory Stock Option**"

means an Option that does not qualify as an Incentive Stock Option.

"**Securities Act**"

means the U.S. Securities Act of 1933, as amended.

"**Ten Percent Stockholder**"

means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) Shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or any "parent corporation" or "subsidiary corporation" of the Company as such terms are defined in Section 424 of the Code.

"**U.S.**"

means the United States of America.

3 **Incentive Stock Option Limit.** Notwithstanding anything to the contrary in the Scheme, subject to the provisions of Condition 9 of the Scheme relating to reorganizations of capital structure, the aggregate maximum number of Shares that may be issued pursuant to the exercise of Incentive Stock Options shall be 4,000,000 ordinary shares of the Company.

4 **ELIGIBILITY**

4.1 **General Eligibility for Options.** Incentive Stock Options may be granted only to Eligible Employees that are employees of the Company or a "parent corporation" or "subsidiary corporation" thereof (as such terms are defined in Sections 424(e) and (f) of the Code) as of the date of grant. Options other than Incentive Stock Options may be granted to Eligible Employees; *provided, however*, Nonstatutory Stock Options may not be granted to Eligible Employees who are providing services only to any "parent" of the Company, as such term is defined in Rule 405 promulgated under the Securities Act, unless the stock underlying such Option is treated as "service recipient stock" under Section 409A of the Code or unless such Option complies with the distribution requirements of Section 409A of the Code.

4.2 **Ten Percent Stockholders.** A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

5 **Option Terms.** All Options issued pursuant to the terms of the US Addendum shall be separately designated Incentive Stock Options or Nonstatutory Stock Options (whether or not they are also granted as EMI Options) at the time of grant, and, if certificates are issued, a separate certificate or certificates shall be issued for Shares purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, then the Option shall be a Nonstatutory Stock Option. The provisions of separate Options need not be identical; *provided, however*, that each Option certificate or other agreement evidencing such award shall conform to (through incorporation of provisions of this Section 5 of the US Addendum by reference in the applicable Option Agreement or otherwise) the substance of each of the following provisions:

5.1 **Exercise Price.** Subject to the provisions of Section 4.2 of this US Addendum regarding Incentive Stock Options granted to Ten Percent Stockholders, the Exercise Price of each Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Shares subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option may be granted with an Exercise Price lower than one hundred percent (100%) of the Fair Market Value of the Shares subject to the Option if such Option is granted pursuant to Condition 8.4 of the Scheme in connection with an assumption of or substitution for another option or other stock right by an Acquiring Company and in a manner consistent with the provisions of Sections 409A or 424(a) of the Code, as applicable.

5.2 **Restrictions on Transfer.** An Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Option Holder only by the Option Holder. Notwithstanding the foregoing, an Option may be transferred pursuant to a domestic relations order; *provided, however,* that if an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

5.3 **Incentive Stock Option $100,000 Limitation.** To the extent that the aggregate Fair Market Value (determined at the time of grant) of Shares with respect to which Incentive Stock

Options are exercisable for the first time by any Option Holder during any calendar year (under any incentive stock option plan of the Company and any parent corporation or subsidiary corporation of the Company within the meaning of Section 424 of the Code) exceeds US $100,000, the Options or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement.

5.4 **Manner of Payment of Exercise Price.** The aggregate Exercise Price may be paid by any of the methods of payment provided by the Scheme as determined by the Board in its absolute discretion, subject to any limitations in the Option Agreement and applicable law, and subject to the following additional conditions, as applicable:

5.4.1 With respect to any cashless exercise facility allowed under Condition 10.4 of the Scheme, a "net exercise" arrangement (pursuant to which the Company would reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price) is not available for Incentive Stock Options.

5.4.2 Any loan, deferred payment scheme or similar arrangement with the Option Holder pursuant to Condition 10.8 shall provide that interest shall compound at least annually and shall be charged at the minimum rate of interest necessary to avoid the imputation of interest income to the Company and compensation income to the Option Holder under any applicable provisions of the Code.

6 **Term.** No Options may be granted pursuant to this US Addendum after the day prior to the 10th anniversary of the Effective Date. No Option shall in any event be exercisable on or after the 10th anniversary of the date of its grant under any circumstances whatsoever and every Option shall, unless an earlier lapse occurs, lapse on the 10th anniversary of the date of its grant.

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(for reference purposes only)

MODEL FORM OF AGREEMENT

FOR XENETIC BIOSCIENCES PLC

2007 SHARE OPTION SCHEME
[FOR GRANT OF US INCENTIVE STOCK OPTION]

THIS AGREEMENT is made 20[***]

BETWEEN:

(1) **XENETIC BIOSCIENCES PLC** (registered number 3213174) whose registered office is at [***] ("**the Company**"); and

(2) [***] of [***] ("**the Option Holder**").

WHEREAS:

The Company has agreed to grant [an/two] option(s) to the Option Holder to acquire the Shares (as hereinafter defined) under the Xenetic Biosciences plc 2007 Share Option Scheme adopted by a resolution of the board of directors of the Company on 9 August 2007 on the terms and conditions set out below and, save as otherwise specified below, in Schedule 1 ("**the Conditions**") [and the US Addendum]. [The Option(s) [is/are] hereby granted for commercial reasons in order to [recruit/retain] the Option Holder as a employee of the relevant Group Member and not as part of a scheme or arrangement the main purpose, or one of the main purposes, of which is the avoidance of tax.]

IT IS HEREBY AGREED:

1 Words and expressions used in this Agreement have the meanings ascribed thereto in Condition 1 of Schedule 1 [and the US Addendum].

2 The Schedules to this Agreement form part of the Agreement and references to any Schedules (unless the context otherwise requires) are references to Schedules to this Agreement.

3 **OPTION GRANT**

3.1 The Company hereby grants to the Option Holder:

3.1.1 [an/*[number/[two]]*] option[s] over [***] Shares [each] under the provisions of the EMI Code [which [is/are] also intended to be [an] Incentive Stock Option[s]] over [ ] Shares at the Exercise Price of [ ] per Share subject to the Conditions and the US Addendum [and such options shall be designated as the "**First Option**" and the "**Second Option**" respectively] ; and

3.1.2 [an/*[number]*] option[s] over [***] Shares [each] otherwise than under the EMI Code ("**the Unapproved Option[s]**")

in each case] at the Exercise Price of [***] per Share subject to the Conditions.

4 **SPECIAL CONDITIONS**

4.1 The Option[s] may be exercised [at any time on or after [ ]]/[and shall vest as follows, namely:

4.1.1 the First Option shall vest on the expiry of eighteen (18) months after the Date of Grant (and may be exercised subject to the Conditions at any time after it vests); and

4.1.2 the Second Option shall vest on the expiry of thirty six (36) months after the Date of Grant (and may be exercised subject to the Conditions at any time after it vests);

4.2 [*Specify any other vesting conditions that are to apply if the choices in clause 4.1 are not adopted.]*

4.3 ["Tax Liability" shall not include Employer's NIC.]

4.4 [Condition 12.1, 12.2, the opening paragraph of Condition 12.3 and the provisions referred to in Conditions 12.3.1 to 12.3.8 (other than Condition 12.3.7) shall not apply and Condition 12.3.7 shall apply to [this Agreement]/[the Unapproved Option[s].]

4.5 [Save as specified in these Special Conditions or the context otherwise requires, all references to "Option" shall include references to the EMI Option and the Unapproved Option except in Conditions 5 and 6.2 where all references to "Option" shall be construed as references to the EMI Option.]

4.6 [The Option(s) [is/are] [not] subject to any Performance Conditions.]

4.7 [Conditions [ ] shall not apply to the Option.]

4.8 [Conditions [ ] shall apply to the Option as varied as follows:[ ].]

4.9 [To the extent that the aggregate Fair Market Value (determined at the time of grant) of the Shares, plus all other Incentive Stock Options held by Option Holder, are exercisable for the first time by Option Holder during any calendar year (under all plans of the Company and the Group) exceeds U.S. one hundred thousand dollars ($100,000), such option(s) or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated, for US tax purposes, as Nonstatutory Stock Options.]

4.10 [In order to obtain the U.S. federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the date of grant of the Option and ending on the day three (3) months before the date of exercise of the Option, Option Holder must be an employee of the Company or a "parent corporation" or "subsidiary corporation" thereof (as such terms are defined in Sections 424(e) and (f) of the Code), except in the event of Option Holder's death or permanent and total disability, as defined in Section 22(e)(3) of the Code. The Company has provided for extended exercisability of the Option under certain circumstances for the benefit of the Option Holder but cannot guarantee that the Option will necessarily be treated as an Incentive Stock Option if Option Holder continues to provide services to the Company or the Group as a consultant or [non-executive] director after the Option Holder's employment terminates or if Option Holder otherwise exercises the Option more than three (3) months after the date Option Holder's employment with the Company or the Group terminates.].]

THIS DEED has been duly executed by the parties or their duly authorised representatives

EXECUTED (but not delivered until the date hereof) as a deed by **XENETIC BIOSCIENCES PLC** acting by:)

Director

Director/Secretary

EXECUTED (but not delivered until the date hereof) as a deed by the said [***])
[***] In the presence of:)

[*Signature of party*]

Witness

Name:

Address

Occupation

SCHEDULE 1

The Conditions

1 **DEFINITIONS AND INTERPRETATION**

1.1 The following words and expressions shall (except where the context otherwise requires) have the following meanings in the Agreement of which this Schedule 1 forms part and words and expressions defined in the Agreement shall have the same meaning herein:

"**Act**"

the Companies Act 1985;

"**AIM**"

the market provided by the London Stock Exchange for transactions in securities admitted to trading on that market and known as "AIM Securities";

"**Appropriate Period**"

(a) if the circumstances in Condition 8.1 apply the period of 40 days beginning with the date on which the person making the offer has obtained Control of the Company and any condition subject to which the offer is made has been satisfied;

(b) if the circumstances in Condition 8.2 apply the period of 40 days beginning with the date on which the Reconstruction Scheme is sanctioned by the Court;

(c) if the circumstances in Condition 8.3 apply the period during which the person remains bound or entitled to acquire any shares in the Company to the extent that it does not exceed 40 days after the date on which there was a change of Control of the Company which is connected with the circumstances mentioned in Condition 8.3;

"**Articles**"

the Articles of Association of the Company as amended from time to time;

"**Auditors**"

the auditors for the time being of the Company appointed pursuant to Section 384 of the Act;

"**Board**"

the Board of directors for the time being of the Company or a duly appointed committee thereof in each case at which a quorum is present;

"**Control**"

the same meaning as in Section 840 of the Taxes Act and the expression "controlled" shall be construed accordingly;

"**Date of Grant**"

the date of the Agreement;

"**Dealing Day**"

a day on which the London Stock Exchange is open for business;

"**Disqualifying Event**"

any event within Sections 534 to 536 ITEPA as supplemented by Sections 537 to 539 ITEPA;

"**Eligible Employee**"

an employee of any member of the Group who at all material times satisfies the requirements of paragraphs 26 and 27 of Schedule 5 and the "no material interest" requirement of paragraph 28 of Schedule 5;

"**EMI Code**"

has the same meaning as in Section 527(3) of ITEPA;

"**EMI Option**"

any option over Shares that is a qualifying option for the purposes of the EMI Code;

"**Employees' Share Scheme**"

an employees' share scheme (as defined in Section 743 of the Act) constituted formally as such or consisting of one or more agreement granting rights to acquire shares in the share capital of the Company, as appropriate, adopted or entered into by the Company or any Subsidiary;

"**Employer**"

the Group Member that is or at any relevant time was the employer in relation to the Option Holder;

"**Employers' NIC**"

secondary Class 1 contributions payable by virtue of Section 6(1)(b) of the Social Security Contributions and Benefits Act 1992 (as amended from time to time) or any substitute thereof;

"**Exercise Date**"

the date on which an Exercise Notice together with the payment (in cleared funds unless the Board otherwise determines) referred to in Condition 10.3 in relation to an Option is received by the Company;

"**Exercise Notice**"

the notice of exercise of an Option substantially in the form set out in Schedule 3;

"**Exercise Price**"

the price per Share stated in the Agreement;

"**Expected Retirement Date**"

the date on which an Eligible Employee is expected to retire in accordance with the terms of his contract of employment with the relevant Group Member.

"**Group**"

the Company and every company that is a 51% subsidiary (as defined in Section 838(1) Taxes Act) and "Group Member" or any similar expression shall be construed accordingly;

"**HMRC**"

Her Majesty's Revenue and Customs;

"**Investment Exchange**"

the UK Listing Authority, the London Stock Exchange, the New York Stock Exchange, the National Association of Securities Dealers Automated Quotation, AIM and any other recognised investment exchange (as defined in the Financial Services and Markets Act 2000) or recognised stock exchange (as defined in Section 841(1) of the Taxes Act);

"**ITEPA**"

the Income Tax (Earnings and Pensions) Act 2003;

"**London Stock Exchange**"

the London Stock Exchange plc which trades as the "London Stock Exchange" or any successor thereof;

"**Market Value**"

in respect of any Share on any day means either:

(a) (when on that day the shares of that class are admitted on the Official List and admitted to trading by the London Stock Exchange) the middle market quotation of such a Share as derived from the Daily Official List of the London Stock Exchange for the Dealing Day immediately preceding that day; or

(b) in all other cases the market value of such a Share as determined in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed for the purposes of this Agreement with Shares Valuation, a division of HMRC;

"**Maximum Overall Statutory Limit**"

such limit as may be permitted from time to time by paragraph 7(1) of Part 2 of Schedule 5;

"**Maximum Personal Limit**"

such limit as may be permitted from time to time by paragraphs 5 and 6 of Part 2 of Schedule 5;

"**NICs**"

National Insurance Contributions;

"**Official List**"

the Official List of the UK Listing Authority;

"**Option**"

a right to acquire Shares granted under the Agreement and where the context so requires shall include New Options granted in consideration for the release of Old Options in accordance with Condition 8.4;

"**Performance Conditions**"

the conditions, if any, specified in Schedule 2;

"**Relevant Advisors**"

such advisors selected by the Board in its absolute discretion including, without limitation, or in any event in the absence of any such selection, the Auditors in each case acting as experts and not as arbitrators;

"**Schedule 5**"

Schedule 5 to ITEPA;

"**Share**"

an ordinary share of 0.5 pence each in the capital of the Company which satisfies the conditions specified in paragraph 35 of Schedule 5 or any share replacing the same following any adjustment made pursuant to Condition 9.1 or the application of Condition 9.1.3;

"**Special Conditions**"

any conditions specified in Clause 4 of the Agreement;

"**Subsidiary**"

a subsidiary (as defined by Section 736 of the Act) for the time being of the Company;

"**Subsisting Option**"

an Option to the extent that it has not been exercised, lapsed or cancelled;

"**Tax Liability**"

any liability of the Employer or any company which Controls or is a Group Member to account for any income tax, NICs or other tax (including Employers' NIC unless the Special Conditions specify otherwise) arising in connection with the grant, exercise or other dealing with or in relation to the Option(s) or otherwise in connection with the Shares;

"**Taxes Act**"

the Income and Corporation Taxes Act 1988;

"**UK Listing Authority**"

the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 and in exercise of its function in respect of admissions to the Official List;

"**Vest**" or "**Vesting**"

in relation to any Option when any conditions or terms as to Vesting specified in the Special Conditions are satisfied and the expression "Vested" shall be construed accordingly subject to Condition 2.2.

1.2 Any reference in the Agreement to any provision of any Act of Parliament or any subordinate legislation made pursuant to any Act of Parliament shall be deemed to be a reference to such Act of Parliament or subordinate legislation as amended modified or re-enacted (whether before or after the date hereof).

1.3 In the Agreement words incorporating the masculine gender only include the feminine and neuter genders and words incorporating the singular number only include the plural and vice versa.

1.4 Clause, paragraph or Condition headings are for ease of reference only and do not affect the construction or interpretation of the Agreement.

1.5 References to writing shall include typewriting printing lithography photography and facsimile messages and other modes of reproducing words in a legible and non-transitory form.

1.6 The Board's decision on any matter with regard to the Agreement shall be final.

1.7 References to any specific body shall, unless the Board determines otherwise, be deemed to include any body replacing or succeeding the same.

2 **VESTING**

2.1 The Special Conditions may specify any conditions or terms as to Vesting or that there shall be no conditions as to Vesting.

2.2 Where the Special Conditions do not specify any conditions as to Vesting or state that there are no conditions as to Vesting all references to "Vest", "Vesting" and "Vested" and any associated expression shall be disregarded in construing the Conditions.

3 **PERFORMANCE AND NON-TRANSFERABILITY CONDITIONS**

3.1 The exercise of the Option(s) is subject to the Performance Conditions if so specified in the Special Conditions and the Performance Conditions may be waived or amended if an event (including, without limitation, an event within Condition 8) occurs which causes the Company to consider that such Performance Conditions could not fairly or reasonably be met, provided that any amended conditions shall not be more difficult to satisfy than the original Performance Conditions were intended to be at the time of their imposition.

3.2 Each Option is personal to the Option Holder and may not be transferred, assigned, charged, pledged or otherwise disposed of or dealt with otherwise than in accordance with the Agreement. Any purported transfer, assignment, charge, pledge or other disposal or dealing (other than the exercise of an Option in accordance with the Agreement) with an Option otherwise than in accordance with the Agreement shall cause the Option to lapse forthwith.

4 **OPTION HOLDER'S WARRANTY AND UNDERTAKING**

4.1 The Option Holder hereby warrants that he satisfies the:

4.1.1 employment requirement and the requirement as to commitment of working time set out in paragraphs 26 and 27 of Schedule 5 respectively; and

4.1.2 "no material interest" requirement set out in paragraph 28 of Schedule 5;

and will at all material times use all reasonable endeavours to continue to satisfy the said requirements.

4.2 The Option Holder hereby undertakes to give written notice to the Company forthwith upon becoming aware that he is or may be in breach of the warranty given in Condition 4.1.

5 **PERSONAL LIMITS**

5.1 The number of Shares in respect of which the Option(s) is/are granted to the Option Holder is limited, and the Option(s) shall take effect as an EMI Option(s) so and to the extent that the aggregate Market Value of the Shares the Option Holder may acquire pursuant to such Option when added to the aggregate Market Value of Shares comprised in:

5.1.1 existing unexercised rights (which for the purposes of this Condition 5 shall not include cancelled Options or rights) previously granted to him under Schedule 5 by virtue of being an employee of any Group Member; and

5.1.2 any other existing unexercised rights obtained by him under any other option scheme approved under Schedule 4 to ITEPA

does not exceed or further exceed the Maximum Personal Limit (being £100,000 at the Date of Grant) provided that, where appropriate, in relation to each Option granted to the Option Holder under this Agreement this Condition 5 shall apply (so as to scale down the number of Shares comprised in each Option, rounded to whole number of Shares as determined by the Board) to all such Options on a pro rata basis.

5.2 The number of Shares deemed to be excluded from each Option by virtue of Condition 5.1 shall be deemed to be comprised in a separate option which shall be deemed to have been granted on the Date of Grant and shall have effect as and on the same terms as an Unapproved Option and Condition 12.1, 12.2 the opening paragraph of Condition 12.3 and the provisions referred to in Conditions 12.3.1 to 12.3.8 (other than Condition 12.3.7) shall not apply and Condition 12.3.7 shall apply to the Unapproved Option.

6 **SCHEME LIMITS**

6.1 The number of Shares in respect of which the Option(s) is/are granted under the Agreement is limited and the Option(s) shall take effect so and to the extent that immediately following any such grant of the Option(s) the aggregate of the number of Shares which remain to be issued on the exercise of the Option(s) and the number of Shares of the Company which remain to be issued pursuant to rights granted under any Employees' Share Scheme will not exceed such number of Shares as represents 15 per cent of the issued ordinary share capital of the Company immediately prior to the Date of Grant.

6.2 The number of Shares in respect of which the Option(s) is/are granted to the Option Holder is limited and the Option(s) shall take effect so and to the extent that immediately following such grant the aggregate Market Value of the Shares that Option Holder may acquire pursuant to the Option when added to the aggregate Market Value of Shares comprised in every other Subsisting EMI Option granted on or before the Date of Grant shall not exceed or further exceed the Maximum Overall Statutory Limit (being £3 million at the Date of Grant).

6.3 For the avoidance of doubt, where:

6.3.1 an Option or right lapses or has been renounced or cancelled, the number of Shares comprised in the Option or the subject of the right immediately before the same lapses or is renounced or cancelled shall be disregarded for the purposes of this Condition 6; and

6.3.2 a right is granted pursuant to any provision similar to Condition 8.4, the number of Shares comprised in such right shall be disregarded for the purposes of Condition 6.1.

6.4 Where more than one Option or right granted on the same date causes the limits, or any of them in Conditions 6.1 or as appropriate 6.2 to be exceeded (the aggregate number of Shares (rounded up to the nearest whole number) causing the said limit(s) to be exceeded being "**the Excess**") then for determining which part of the Excess relates to each relevant Option or right, the Excess shall be divided pro rata among the Options and rights concerned according to the number of Shares comprised in each Option or right such division to be rounded down to the nearest whole number of Shares in respect of each Option or right concerned.

7 **EXERCISE AND LAPSE OF OPTION**

7.1 Subject to this Condition 7 and Conditions 8 and 10 the Option(s) may be exercised at any time on or after the earliest date on which it becomes Vested, but if there are no conditions or terms as to Vesting, on or after the date specified in the Special Conditions and if neither of the foregoing shall apply, on or after the third anniversary of the Date of Grant.

7.2 No Option shall in any event be exercisable on or after the tenth anniversary of its Date of Grant under any circumstances whatsoever and every Option shall, unless an earlier lapse occurs in accordance with the Agreement, lapse on the tenth anniversary of the Date of Grant.

7.3 The right to exercise any and all of the Option(s) shall terminate immediately upon the Option Holder ceasing to be an Eligible Employee (except where Conditions 7.4 or 7.5 apply).

7.4 Where the Option Holder dies his personal representatives may within a period of 12 months after the date of death exercise any Option, whether or not Vested, if it is unexercised on the date of death.

7.5 An Option shall cease to be exercisable upon the Option Holder ceasing to be an Eligible Employee except where he so ceases by reason of:

7.5.1 retirement on reaching the Expected Retirement Date;

7.5.2 injury or disability in each case, as a result of which the participant is certified as being unable to work;

7.5.3 redundancy within the meaning of the Employment Rights Act 1996;

7.5.4 the office or employment either being in a company which ceases to be a Subsidiary or relating to a business or part of a business which is transferred to a person who is not a Group Member;

7.5.5 any other circumstances determined in the absolute discretion of the Board within 30 days of the date on which he so ceases to be an Eligible Employee.

In any such circumstances, the Option may be exercised at any time within 365 days from the date on which he so ceases to be an Eligible Employee, to the extent it is a Vested Subsisting Option on or before the date the Option Holder ceases to be an Eligible Employee or is deemed to be vested pursuant the exercise of the Board's discretion under Condition .7.5.5.

7.6 For the purposes of this Condition 7 above (but for no other purpose):

7.6.1 a participant shall not be regarded as having ceased to be an Eligible Employee by reason of:

(a) his being or becoming employed by a company which is another Group Member; or

(b) his ceasing to be employed full-time but continuing to be employed on a part-time basis; and

7.6.2 a participant shall be regarded as ceasing to be an Eligible Employee when he holds no employment with any Group Member

7.6.3 the certification referred to in Condition 7.5.2 shall be made by a suitably qualified medical practitioner but where there is a conflict between the opinions of two or more medical practitioners then termination of employment shall be deemed not to be within the circumstances specified in Condition 7.5.2 and the Board shall be entitled to exercise its discretion to allow the exercise of the Option concerned pursuant to Condition 7.5.2.

7.7 Where a Disqualifying Event occurs, any Subsisting Option that is an EMI Option may be exercised in whole or in part with the prior written consent of the Board to the extent permitted by the Board in writing within 40 days of the relevant Disqualifying Event occurring and to the extent that the Option in question is not so exercised, it shall continue as an Unapproved Option subject to and in accordance with the terms of the Agreement

7.8 Where an Option is subject to Performance Conditions it shall not be exercisable, including by virtue of any event specified in Conditions 7.4, and 8 if so specified in the Performance Conditions, save where the Special Conditions so specify otherwise, unless the Performance Conditions have been satisfied to the satisfaction of the Board. The Company shall notify in writing the Option Holder whose Option is subject to Performance Conditions when the Performance Conditions have been satisfied and his Option has Vested.

7.9 Each Option shall lapse upon the earliest occurrence of any of the following events insofar as it has not been exercised:

7.9.1 the tenth anniversary of the Date of Grant;

7.9.2 the expiry of 12 months from the date of the Option Holder's death;

7.9.3 upon the Option Holder ceasing to be an Eligible Employee except where Condition 7.5 applies;

7.9.4 on the expiry of the period of 365 days specified in Condition 7.5, where that Condition applies;

7.9.5 to the extent the Option has not Vested, upon the Option Holder ceasing to be an Eligible Employee where Condition 7.5 applies unless it is deemed to be vested pursuant the exercise of the Board's discretion under Condition .7.5.5;

7.9.6 the earliest date upon which the Option is expressed to lapse under Condition 8;

7.9.7 the date of an event specified in Condition 3.2;

7.9.8 the fortieth day after the date on which a bankruptcy order is made in respect of the Option Holder; and

7.9.9 the date on which a resolution is passed or an order is made by the Court, for the compulsory winding up of the Company.

8 TAKEOVERS AND LIQUIDATIONS

8.1 If any person obtains Control of the Company as a result of making an offer.

8.1.1 to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company; or

8.1.2 to acquire all the shares in the Company which are of the same class as the Shares

then subject to the remaining provisions of this Condition 8 any Subsisting Option whether or not it has Vested may be exercised within the Appropriate Period and to the extent that it has not been exercised by the end of the Appropriate Period the Option(s) shall lapse immediately upon the end of the Appropriate Period.

8.2 In the event that notice is given to the shareholders of the Company of a resolution to approve (subject to sanction by the Court) a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to Section 425 of the Act ("**the Reconstruction Scheme**") then subject to the remaining provisions of this Condition 8 the Option Holder may exercise any Subsisting Option, whether or not it has Vested at any time during the Appropriate Period and to the extent that an Option has not been exercised by the end of the Appropriate Period it shall lapse immediately upon the end of the Appropriate Period.

8.3 If any person becomes bound or entitled to acquire Shares in the Company under Sections 428 to 430F of the Act then subject to the remaining provisions of this Condition 8 any Subsisting Option, whether or not it has Vested may be exercised at any time during the Appropriate Period and to the extent that it has not been exercised by the end of the Appropriate Period the Option shall lapse immediately upon the end of the Appropriate Period.

8.4 If as a result of the events specified in Conditions 8.1 or 8.2 a company has obtained Control of the Company or if a company has become bound or entitled as mentioned in Condition 8.3 and the Board determines that and to the extent that this Condition 8.4 shall apply in respect of the Option ("**Old Option**") and that other company ("**the Acquiring Company**") or a company which has Control over the Acquiring Company agrees the Old Option may within the Appropriate Period (or such longer period permitted under paragraph 42 of Schedule 5) applicable to the relevant Condition be released in consideration of the grant of a new Option ("**New Option**") which satisfies the following conditions:

8.4.1 it is over shares in the Acquiring Company or a company which has Control over the Acquiring Company and which satisfy the conditions specified in paragraph 35 of Schedule 5;

8.4.2 it is a right to acquire such number of such shares as has on acquisition of the New Option an aggregate Market Value equal to the aggregate Market Value of the Shares subject to the Old Option on its disposal;

8.4.3 it has an exercise price per share such that the aggregate price payable on complete exercise equals the aggregate price which would have been payable on complete exercise of the Old Option;

8.4.4 it is otherwise identical in terms to the Old Option; and

8.4.5 to the extent applicable in relation to the New Option any other requirements of Part 6 of Schedule 5.

The New Option shall for all other purposes of the Agreement be treated as having been acquired at the same time as the Old Option in consideration of the release of which it is granted and where any New Option is granted pursuant to this Condition 8.4 Conditions 8, 9, and 10 and all definitions in Condition 1.1 as appropriate in those Conditions shall in relation to the New Option be construed as if references to the Company and to the Shares were references to the company whose share capital includes shares over which the New Option has been granted and to the shares in that company but references to the Company or a Group Member for the purpose of the definition of "Eligible Employee" shall continue to be construed as if they were references to Xenetic Biosciences plc. Where in accordance with this Condition 8.4 Old Options are released and New Options granted the New Options shall not be exercisable in accordance with Conditions 8.1, 8.2 and 8.3 above by virtue of the event by reason of which the New Options were granted.

8.5 In the event that notice is given to the shareholders of the Company of a resolution to be proposed for the voluntary winding up of the Company the Option Holder may serve notice to exercise his Subsisting Option, whether or not it has Vested at any time up to the passing of the resolution provided that any such notice to exercise shall only be effective if the resolution is passed. If such resolution is duly passed the Option shall, to the extent that it has not been exercised, lapse.

8.6 For the purposes of this Condition 8 other than Condition 8.4 a person shall be deemed to have obtained Control of a Company if he and others acting in concert with him have together obtained Control of it.

9 VARIATION OF SHARE CAPITAL

9.1 In the event of any variation in the share capital of the Company by way of capitalisation or rights issue or any consolidation sub-division or reduction of capital or otherwise by the Company the number of Shares subject to any Option and the Exercise Price for each of those Shares may be adjusted by the Board subject (except in the case of a capitalisation) to written confirmation by the Relevant Advisors that in their opinion such adjustment is fair and reasonable provided that:

9.1.1 Subject to Condition 9.2 the aggregate amount payable on the exercise of the Option in full is not increased;

9.1.2 following the adjustment the Shares continue to satisfy the conditions specified in paragraph 35 of Schedule 5;

9.1.3 in the event of any variation of share capital of the Company that has the effect that the Shares cease to exist in the form for the time being ("**Original Shares**") and no adjustment is made pursuant to this Condition 9.1 each Option shall be deemed to be:

(a) over such shares that replace the Original Shares; and

(b) over such number of the shares referred to in Condition (a) above that fairly represent the Original Shares;

(c) at such Exercise Price as fairly represents the original Exercise Price, taking account of Condition 9.1.1;

9.1.4 notice of any adjustment made pursuant to this Condition 9.1 shall, where appropriate, be given to HMRC as soon as reasonably practicable.

9.2 Save as provided in this Condition 9.2, no adjustment under Condition 9 can have the effect of reducing the Exercise Price of a Share below its nominal value. Any adjustment made to the Exercise Price under Condition 9.1 that results in the Exercise Price of a Share being below its nominal value shall only be made if the Company is authorised to:

9.2.1 capitalise from reserves of the Company a sum equal to the aggregate of the amounts by which the nominal value of each Share comprised in each Subsisting Option exceeds the adjusted Exercise Price in respect of that Share ("**the deficit**"); and

9.2.2 apply the amount referred to in Condition 9.2.1 in paying up each such Share to the extent of the deficit by way of capitalisation on the exercise of each relevant Subsisting Option and to make provision in respect of such amount to enable the Board to give effect to the said capitalisation.

10 MANNER OF EXERCISE OF OPTION

10.1 The Option may not be exercised by the Option Holder at any time when the requirements of paragraph 28 of Schedule 5 cease to be met and subject to Condition 9 no Option may be exercised at any time when the shares which may be thereby acquired are not Shares as defined in Condition 1.1.

10.2 No Option shall be exercisable save in accordance with the then current Model Code for Securities Transactions by Directors of Listed Companies issued by the UK Listing Authority to the extent that the same applies to the Company or any of its officers and employees.

10.3 Subject to the provisions of Condition 7 and this Condition 10 an Option may be exercised in whole or in part but not unless the Board otherwise permits in respect of less than 10 per cent of the Shares the subject of the Option unless such smaller percentage represents all the remaining Shares under the Option held by the Option Holder or (as the case may be) the Option Holder's personal representatives giving an Exercise Notice to the Company, subject to Condition 10.4, accompanied by the appropriate payment and shall be effective on the Exercise Date provided that wherever relevant the Performance Conditions shall first have been fulfilled to the satisfaction of the Board or otherwise waived by the Board in its absolute discretion and written notice of such waiver has been given to the Option Holder.

10.4 The Board may in its absolute discretion offer the Option Holder the opportunity to adopt arrangements on such terms as it specifies in writing to enable the Option Holder to exercise the Option and satisfy the aggregate Exercise Price without having to make payment (the "**cashless exercise facility**") provided that such cashless exercise facility is not contrary to the provisions of the EMI Code, where necessary it is first approved by HMRC and where it constitutes or may constitute the provision of financial assistance Condition 10.8 shall apply.

10.5 No Option can be quoted or dealt in on any Investment Exchange.

10.6 Subject arrangements to the satisfaction of the Company being made for the discharge of any Tax Liability (including without limitation Employers' NIC where appropriate) as provided for in Condition 11 or otherwise Shares shall be allotted by the Company or, as appropriate, transferred pursuant to an Exercise Notice within 30 days of the Exercise Date. Save for any rights determined by reference to a date preceding the date of any allotment of Shares pursuant to the exercise of an Option, such Shares shall rank pari passu with other Shares of the same class in issue at the date of such allotment and will be subject to all the provisions of the Articles relating to (including, without limitation) all and any restrictions and/or risk of forfeiture, voting, dividends, transfer or otherwise.

10.7 When an Option is exercised only in part the balance shall remain exercisable on the same terms as originally applied to the whole Option.

10.8 If the Board determines in its absolute discretion, the Company may provide financial assistance to the Option Holder in connection with the exercise of an Option by way of loan or in any other way to the extent that the same is not prohibited by law including, without limitation, under the Act.

10.9 The Company shall at all times ensure that it will have sufficient authorised and unissued share capital to satisfy the exercise to the full extent still possible of the Options over unissued shares which have neither lapsed nor been fully exercised taking account of any other obligations of the Company.

10.10 It is a condition of the Agreement that in the event of the Option Holder ceasing to be an Eligible Employee (for whatever reason) he shall not claim and shall not be entitled to any compensation whatsoever by reason of any termination or alteration of rights or expectations under the Agreement whether such compensation is claimed by way of damages for wrongful dismissal or breach of contract or for loss of office or otherwise howsoever. The Option Holder's rights under the Agreement are entirely separate from any pension right or entitlement the Option Holder may have and from his terms or conditions of employment and nothing in the Agreement shall in any respect whatsoever affect in any way the Option Holder's pension rights or entitlement or terms or conditions of employment but the condition specified in this Condition 10.10 shall be deemed to be repeated in such contract of employment mutatis mutandis such that it is a term of both the Agreement and such employment contract each as a primary contract.

11 TAXATION

11.1 If a Tax Liability arises in respect of the exercise of an Option and the Option Holder undertakes in the Exercise Notice to pay an amount equal to the Tax Liability, the Employer shall notify the Option Holder of the Tax Liability within 14 days of the Exercise Date and the Option Holder shall pay to the Employer such amount(s) sufficient to discharge the Tax Liability in cleared funds not later than the twenty-fifth day after the Exercise Date.

11.2 If the Option Holder does not make payment or undertake to make payment in respect of the Tax Liability or fails to make the payment described in Condition 11.1:

11.2.1 the Employer shall be entitled to deduct, to the extent not prohibited by law, such amount(s) from any payment whatsoever due to be made by the Employer to or in respect of the Option Holder in order to satisfy and discharge the Tax Liability whether or not such payment is of an income or capital nature; and

11.2.2 without prejudice to the Employer's rights under Condition 11.2.1 the Board may, by written notice to the Option Holder concerned nominate as his bare trustee any person ("**the Bare Trustee**") to sell such number of Shares to be transferred or, as appropriate, allotted upon the exercise of the Option as may be required in order to discharge the Tax Liability and any other liability (including costs) connected with the said sale and the Bare Trustee shall pay an amount equal to the Tax Liability to the Employer and otherwise discharge any other said liability to the extent that the net proceeds from the said sale permit; and

11.2.3 if and to the extent the Tax Liability exceeds the amount or amounts recovered or recoverable by the Employer under Condition 11.2.1 and 11.2.2 above that Option Holder shall pay to the Employer in cleared funds the amount of the excess on demand or within such period as may be specified in any written notice given by the Company.

11.3 The Option Holder shall, upon the exercise of his Option, agree to make any election and shall take all such other action that may be required by the Company or the Employer for the purposes of this Condition 11 or otherwise in connection with a Tax Liability.

12 EMI CODE COMPLIANCE

12.1 This Condition 12 only applies in relation to the EMI Option(s).

12.2 It is intended by the parties to the Agreement hereto that the Agreement complies with the provisions of the EMI Code and the parties hereby agree that if and to the extent that any provision (including without limitation any Condition) is not so compliant or is inconsistent with the EMI Code, to that extent such provision shall not have effect (unless the Company and the Option Holder agree to allow the Option(s) to continue as Unapproved Option(s)) and the parties hereby agree to take all steps that are necessary to insert a provision that complies with the EMI Code and is as near as possible equivalent to the said provision that shall not have effect.

12.3 Where the Board resolves that the requirements of the EMI Code have not been satisfied, whether following any action taken pursuant to Condition 12.2 or otherwise the Company shall give written notice thereof to the Option Holder and with effect from the date of such notice any provision in this Agreement intended to make this Agreement compliant with the EMI Code shall cease to have effect, including without limitation:

12.3.1 the words "under the provisions of the EMI Code" in Clause 3;

12.3.2 Conditions 4, 5, 6.2, 8.4.1, 8.4.5, 9.1.2, 10.1 and the proviso in Condition 19;

12.3.3 the words "who at all material times satisfies the requirements of paragraphs 26 and 27 of Schedule 5 and the "no material interest" requirement of paragraph 28 of Schedule 5 in the definition of "Eligible Employee";

12.3.4 the definition of "Disqualifying Event";

12.3.5 the definitions of "Maximum Personal Limit" and "Maximum Overall Statutory Limit";

12.3.6 the words "which satisfies the conditions specified in paragraph 35 of Schedule 5 in the definition of "Share" and any similar expression in these Conditions;

12.3.7 the words "six months" shall be substituted for the words "40 days" in paragraphs (a) and (b) in the definition of "Appropriate Period" and in paragraph (c) of that definition, the words "to the extent that it does not exceed 40 days after the date on which there was a change of Control of the Company which is connected with the circumstances mentioned in Condition 8.3 " shall be disregarded"; and

12.3.8 the words "and agreed for the purposes of the Agreement with the Shares Valuation division of HMRC" in the definition of "Market Value" shall be disregarded

and the Option(s) hereby granted, if still subsisting, shall continue to subsist as Unapproved Option(s) and any provision made ineffective by Condition 12.2 shall, unless the Board otherwise states in the said notice, become effective again.

13 COSTS

Each of the parties to the Agreement shall bear and pay its own legal accountancy and other fees and expenses incurred in the preparation and implementation of the Agreement.

14 ASSIGNMENT

The Agreement shall be binding upon each party's personal representatives and successors in title but the benefit of the Agreement shall be personal to the Option Holder and shall not be assignable by the Option Holder.

15 TIME FOR PERFORMANCE

Any date or period mentioned in any provision (including without limitation the Conditions) of the Agreement (other than any reference to the tenth anniversary of the date hereof) may be extended by mutual agreement between the parties.

16 **NOTICES**

Any notice to be given pursuant to the terms of the Agreement shall be given in writing to the party due to receive such notice (in the case of a company) at its registered office from time to time or (in the case of an individual) at such party's address set out in the Agreement or such other address as may have been notified for the purpose to the other parties hereto in accordance with this Condition. Every Notice shall be delivered personally or sent by first class pre-paid recorded delivery or registered post (air mail if overseas) or by facsimile transmission and shall be deemed to be given in the case of delivery personally on delivery and in the case of posting (in the absence of evidence of earlier receipt) 48 hours after posting (6 days if sent by air mail) and in the case of facsimile transmission on completion of the transmission.

17 **GOVERNING LAW**

The Agreement shall be governed by and construed in accordance with English Law and the parties hereby submit for all purposes in connection with the Agreement to the exclusive jurisdiction of the English Courts.

18 **COUNTERPARTS**

The Agreement may be executed in any number of counterparts each of which when executed by one or more of the parties hereto shall constitute an original but all of which shall constitute one and the same instrument.

19 **VARIATIONS**

No variation of the Agreement shall be valid unless it is in writing and signed by or on behalf of each of the parties hereto provided that the Company and Option Holder hereby agree to co- operate to make any and all such changes as may be required to comply with the provisions of the EMI Code.

SCHEDULE 2

Performance Conditions

SCHEDULE 3

Exercise Notice
[US Incentive Stock Option Form]

(Please read the notes below carefully before completing)

The Secretary
XENETIC BIOSCIENCES PLC

I, the undersigned, having become entitled so to do, hereby exercise the Option referred to in the Agreement dated [ ] and made between XENETIC BIOSCIENCES PLC (1) and me (2) ("**the Agreement**") in respect of an aggregate of [ ] Shares comprised in the said Option(s) upon the terms of the Agreement and agree to accept the Shares to be transferred or issued pursuant to this Exercise Notice subject to and in accordance with the Memorandum and Articles of Association of the Company and hereby request you to place my name on the Register of Members in respect thereof.

I enclose a remittance for £[ ] being the aggregate Exercise Price payable for the Shares in respect of which the Option is now exercised.

☐ *I hereby undertake to pay to you the amount payable in respect of all tax and National Insurance Contributions liabilities (including Employer's NICs to the extent not excluded from my options) arising on the exercise of my Option in cleared funds not later than the twenty-fifth day after the exercise date. Please advise me of the amount I should pay.

In the event I do not undertake to pay the amount of tax and National Insurance Contributions or I breach the undertaking given above, I hereby agree that Condition 11.2 of the Conditions may be applied by the Company and the Board in respect of the Option(s) hereby exercised so that any tax that is chargeable on the exercise of the Option is discharged.

I hereby undertake to make such elections or take such action as may be required pursuant to Condition 11.3.

If the Option is an Incentive Stock Option, by exercising the Option I hereby agree that I will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the Shares issued upon exercise of the Option that occurs within two (2) years after the date of grant or within one (1) year after such Shares are transferred upon exercise of the Option.

Signature _____

Surname _____

Forename(s) _____

Address _____

_____

NOTES:

1. Although the Option referred to in the Agreement is personal to the Option Holder named in the Agreement it may be exercised by his personal representative(s) if he dies while it is still capable of exercise provided the personal representative(s) does/do so before the expiration of 12 months from the date of the Option Holder's death or 10 years from the date of its grant or if the effective date (if sooner). If there is more than one, each of the personal representatives must sign this form.

* Place a tick in this box if you wish to pay income tax [and just National Contributions] due on the exercise of your Option(s), Otherwise Condition 11 will apply.

2. Option(s) must be exercised in respect of whole numbers of Shares. Please indicate the number of Shares which you wish to acquire on this occasion (this must not exceed the number of Shares comprised in the Option). In any event you will be deemed to have exercised your rights in respect of that whole number of Shares which can be acquired with the moneys represented by your remittance.

3. The remittance should be for an amount equal to the aggregate Exercise Price, being the Exercise Price per Share shown in the Agreement, multiplied by the number of Shares applied for. If you are offered the cashless exercise facility pursuant to Condition 10.4 you are likely to be provided with an alternative exercise notice in place of this one.

4. Please note that before any Shares are transferred or issued to you any Tax Liability, as defined in the Agreement that arises on the exercise of your Option will be required to be satisfied by the Board [and you will be required to enter into an election or to take such other action as the Board may require in connection with Employer's NIC].

Exhibit 10.07

XENETIC BIOSCIENCES, INC.

EQUITY INCENTIVE PLAN

Effective January 23, 2014

XENETIC BIOSCIENCES, INC.

EQUITY INCENTIVE PLAN

ARTICLE I

PURPOSE

The purpose of the Plan is to enhance the profitability and value of the Company for the benefit of its stockholders by enabling the Company to offer Eligible Employees, Consultants and Non-Employee Directors stock-based incentives in the Company to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company's stockholders.

ARTICLE II

DEFINITIONS

For purposes of the Plan, the following terms shall have the following meanings:

2.1 "**Acquisition Event**" means a merger or consolidation in which the Company is not the surviving entity, any transaction that results in the acquisition of all or substantially all of the Company's outstanding common stock by a Person, or the sale or Transfer of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole. The occurrence of an Acquisition Event shall be determined by the Committee.

2.2 "**Affiliate**" of any specified Person means any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such specified Person. No Person shall be deemed to be an Affiliate of another Person solely by virtue of the fact that both Persons own shares of the capital stock of the Company.

2.3 "**Applicable Agreement**" means with respect to any Participant, an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company (or an Affiliate of the Company) and the Participant at the time of the grant of the applicable Award that defines "cause" and/or "good reason" (or words of like import); provided, that with regard to any agreement under which the definition of "cause" and/or "good reason" only applies upon an occurrence of a change in control, such agreement shall not be an Applicable Agreement until a change in control actually takes place and then only with regard to a termination thereafter.

2.4 "**Articles of Incorporation**" means the Company's Articles of Incorporation, as amended from time to time.

2.5 "**Award**" means any award under the Plan of any Stock Option, any Restricted Stock or any Other Stock-Based Award (including any restricted stock unit). All Awards shall be subject to the terms and conditions of an agreement executed by the Company and the Participant.

2.6 "**Board**" means the Board of Directors of the Company.

2.7 "**Business**" means, at any time of determination, (a) any business or activity then conducted by the Company or any Parent or Subsidiary, and (b) any business that the Company or any Parent or Subsidiary has a *bona fide* intention to conduct and of which the Participant is aware at such time.

2.8 "**Bylaws**" means the Bylaws of the Company, as amended from time to time.

2.9 "**Cause**" means with respect to a Participant's Termination of Employment or Termination of Consultancy: (a) in the case where there is no Applicable Agreement, termination due to: (i) the Participant's conviction of, or plea of guilty or nolo contendere to a felony; (ii) the Participant's engagement in conduct constituting breach of fiduciary duty, misconduct or gross negligence relating to the Company or the performance of the Participant's duties (including intentional acts of employment discrimination or sexual harassment) or fraud; (iii) the Participant's failure to follow a reasonable and lawful written directive of the individual to whom the Participant reports or the Board; (iv) the Participant's failure to perform the Participant's material duties; and (v) the Participant's disparagement of the Company or any of its Affiliates, Subsidiaries or Parents or any of their collective executives, stockholders, directors, or officers in any written or oral communication; (b) in the case where there is an Applicable Agreement, "cause" as defined under such agreement. With respect to a Participant's Termination of Directorship, "cause" means an act or failure to act that constitutes cause for removal of a director under applicable Nevada law.

2.10 "**Change in Control**" means, unless otherwise determined by the Committee in the applicable Award agreement:

(a) the acquisition (including any acquisition through purchase, reorganization, merger, consolidation or similar transaction), directly or indirectly, in one or more transactions by a Person (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock), of beneficial ownership of securities representing 50% or more of the total voting power of the Voting Securities, in each case calculated on a fully diluted basis after giving effect to such acquisition; other than an acquisition which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the Voting Securities of the Company or such surviving entity outstanding immediately after such acquisition;

(b) after the completion of an Initial Public Offering, any election has occurred of Persons to the Board that causes two-thirds of the Board to consist of Persons other than (i) members of the Board on the Effective Date, (ii) Persons who were nominated for election as members of the Board at a time when two-thirds of the Board consisted of Persons who were members of the Board on the Effective Date and (iii) Persons who were designated for election as members of the Board pursuant to an applicable stockholders agreement; provided, that any Person nominated for election by a Board at least two-thirds of whom constituted Persons described in clause (i), (ii) or (iii) or by Persons who were themselves nominated by such Board shall, for this purpose, be deemed to have been nominated by a Board composed of Persons described in clause (i);

(c) a complete liquidation or dissolution of the Company; or

(d) the sale or other disposition (including by means of a merger or consolidation), directly or indirectly, of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any Person other than the sale or disposition of all or substantially all of such assets to a Person who beneficially owns, directly or indirectly, at least 50% or more of the combined Voting Power of the outstanding Voting Securities of the Company at the time of the sale.

Notwithstanding the foregoing, unless the Committee provides otherwise in an Award agreement, the completion of an Initial Public Offering shall not be considered a Change in Control. Further, notwithstanding the foregoing, that with respect to any payment pursuant to a Section 409A Covered Award that is triggered upon a Change in Control, no event under this Section 2.10 shall be deemed a Change in Control unless such event is also a "change in control event" within the meaning of Section 409A of the Code.

2.11 "**Code**" means the Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any Treasury Regulation promulgated thereunder.

2.12 "**Committed Time**" has the meaning given in paragraph 26 of Schedule 5 in the EMI Code.

2.13 "**Committee**" means a committee or subcommittee of the Board appointed from time to time by the Board. With respect to the application of the Plan to Non-Employee Directors, the Committee shall mean the Board. If and to the extent that no Committee exists that has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board and all references herein to the Committee shall be deemed references to the Board.

2.14 "**Common Stock**" means the common stock of the Company, par value $[ ] per share.

2.15 "**Company**" means Xenetic Biosciences, Inc., a Nevada corporation, and its successors by operation of law.

2.16 "**Consultant**" means any natural Person who (a) provides bona fide consulting or advisory services to the Company or any of its Affiliates pursuant to an agreement with the Company or any of its Affiliates, which services are not in connection with the offer and sale of securities in a capital-raising transaction, and (b) who does not, directly or indirectly, promote or maintain a market for the Company's or any of its Affiliates' securities.

2.17 "**control**" means, with respect to any Person, the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and words such as "controlled" and "controlling" have meanings correlative to the foregoing.

2.18 "**Disability**" means with respect to a Participant's Termination, a "total disability" as defined under the Company's Long-Term Disability Plan in effect at the time of the disability. If the Company does not have a Long-Term Disability Plan in effect at the time of the disability or, for Awards subject to Section 409A of the Code that are payable on a disability, if the foregoing definition does not comply with Section 409A of the Code, "Disability" shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

2.19 "**Effective Date**" means the effective date of the Plan as defined in Article XV.

2.20 "**Eligible Employee**" means each employee of the Company or one of its Affiliates.

2.21 "**EMI Code**" means sections 527 – 541 of the UK Income Tax (Earnings and Pensions) Act 2003, Schedule 5 to that Act and Part 4 of Schedule 7D to the UK Taxation of Chargeable Gains Act 1992.

2.22 "**EMI Eligible Employee**" means an Eligible Employee who is an employee of the Company or of a Qualifying Subsidiary and (a) whose committed time amounts to (i) at least 25 hours a week or (ii) if less, seventy-five percent (75%) of his Working Time, (b) who has no Material Interest in any company in the EMI Group, and (c) who is not a U.S. Participant.

2.23 "**EMI Group**" means the Company and any other company which is for the time a Qualifying Subsidiary.

2.24 "**EMI Share Option**" means a share option granted pursuant to this Plan which satisfies, or is intended to satisfy, the conditions of Schedule 5 in the EMI Code.

2.25 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and all rules and regulations promulgated thereunder. Any references to any section of the Exchange Act shall also be a reference to any successor provision.

2.26 "**Exercisable Awards**" has the meaning set forth in Section 4.2(d).

2.27 "**Fair Market Value**" means, unless otherwise required by any applicable provision of the Code, with respect to a share of any class of Common Stock or other security, as of any date: (i) if such class of Common Stock or other security is not then traded on a national securities exchange or quoted on an automated quotation system sponsored by the Financial Industry Regulatory Authority, the fair market value of a share of such class of Common Stock or other security as determined by the Committee in its sole discretion, taking into account any applicable requirements of Section 422 or 409A of the Code; (ii) if such class of Common Stock or other security is not then traded on an national securities exchange but is quoted on an automated quotation system sponsored by the Financial Industry Regulatory Authority, the closing price as quoted on such automated quotation system on such date, or if the Common Stock shall not have been reported or quoted on such date, on the first day prior thereto on which the Common Stock was reported or quoted; or (iii) if such class of Common Stock or other security is then traded on a national securities exchange, the closing price reported on the principal market on which such class or security is traded on such date or, if there is no sale of such class of Common Stock or other security on such date, then on the last previous date on which there was a sale. Notwithstanding the foregoing, to the extent consistent with the requirements of Section 422 or 409A of the Code, as applicable, the Committee may modify the definition of Fair Market Value to reflect any changes in the trading practices of any exchange on which the Common Stock is listed or traded.

2.28 "**Family Member**" means with respect to any natural Person, (i) such Person's spouse, parents, parents-in-law, descendants, nephews, nieces, brothers, sisters, brothers-in-law, sisters-in-law and children-in-law, (ii) such Person's heirs, legatees, beneficiaries or devisees and (iii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners or other owners of which consist entirely of such Person or such other Persons referred to in clauses (i) and (ii) above.

2.29 "**Good Reason**" with respect to a Participant's voluntary Termination of Employment shall have the meaning ascribed to such term under an Applicable Agreement. Unless otherwise provided in an Award Agreement, a Participant shall not have "Good Reason" in the absence of an Applicable Agreement defining such term.

2.30 "**Incentive Stock Option**" means any Stock Option awarded to an Eligible Employee (other than an EMI Eligible Employee) of the Company, its Subsidiaries or its Parent (if any) under the Plan intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

2.31 "**Initial Public Offering**" means an initial public offering of common stock of the Company pursuant to an effective registration statement filed under the Securities Act (excluding registration statements filed on Form S-8, any similar successor form or another form used for a purpose similar to the intended use for such forms).

2.32 "**Lead Underwriter**" means the lead underwriter or underwriters of any public offering of Common Stock.

2.33 "**Lock-Up Period**" has the meaning set forth in Section 13.16.

2.34 "**Material Interest**" has the meaning given in paragraphs 29 to 30 of Schedule 5 in the EMI Code.

2.35 "**Non-Employee Director**" a director of the Company who is not an active employee of the Company or an Affiliate.

2.36 "**Non-Qualified Stock Option**" means any Stock Option awarded under the Plan that is neither an Incentive Stock Option nor an EMI Share Option.

2.37 "**Other Stock-Based Award**" means an Award under Article VIII of this Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock, including an Award valued by reference to an Affiliate.

2.38 "**Parent**" means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

2.39 "**Participant**" means an Eligible Employee, Consultant or Non-Employee Director to whom an Award has been granted pursuant to the Plan.

2.40 "**Person**" means any individual, entity (including any employee benefit plan or any trust for an employee benefit plan) or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision).

2.41 "**Plan**" means this Xenetic Biosciences, Inc. Equity Incentive Plan, as amended from time to time.

2.42 "**Qualifying Subsidiary**" has the meaning given in paragraph 11 of Schedule 5 in the EMI Code.

2.43 "**Registration Date**" means the first date after the Effective Date on which the Company is required to comply with the reporting obligations under Section 12 of the Exchange Act.

2.44 "**Reorganization**" has the meaning set forth in Article XV.

2.45 "**Restricted Stock**" means an Award of shares of Common Stock that is subject to restrictions under Article VII.

2.46 "**Restriction Period**" has the meaning set forth in Section 7.1(b).

2.47 "**Section 4.2 Event**" means any stock split, reverse stock split, stock dividend, combination or reclassification of shares, recapitalization or other change in capital structure of the Company, or an extraordinary cash dividend.

2.48 "**Section 409A of the Code**" means the nonqualified deferred compensation rules under Section 409A of the Code and any applicable Treasury Regulation or other official guidance promulgated thereunder.

2.49 "**Section 409A Covered Awards**" has the meaning set forth in Section 13.18.

2.50 "**Securities Act**" means the Securities Act of 1933, and all rules and regulations promulgated thereunder. Any reference to any section of the Securities Act shall also be a reference to any successor provision.

2.51 "**Stock Option**" means any option to purchase shares of Common Stock granted to Eligible Employees, Non-Employee Directors or Consultants pursuant to Article VI.

2.52 "**Subsidiary**" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

2.53 "**Ten Percent Stockholder**" means an individual described in Section 422(b) of the Code.

2.54 "**Termination**" means a Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

2.55 "**Termination of Consultancy**" means: (a) that the Participant is no longer acting as a consultant to the Company or one of its Affiliates; or (b) that an entity that is retaining a Participant as a Consultant ceases to be an Affiliate of the Company unless the Participant otherwise is, or thereupon becomes, a Consultant to the Company or another of its Affiliates at the time the entity ceases to be an Affiliate of the Company. If a Consultant becomes an Eligible Employee or a Non-Employee Director upon the termination of his or her consultancy, unless otherwise determined by the Committee, no Termination of Consultancy shall be deemed to occur until such time as such Consultant is no longer a Consultant, an Eligible Employee or a Non-Employee Director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Consultancy in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Consultancy thereafter.

2.56 "**Termination of Directorship**" means that a Participant has ceased to be a Non-Employee Director. If a Participant becomes an Eligible Employee or a Consultant upon the termination of his or her directorship, his or her ceasing to be a director of the Company shall not be treated as a Termination of Directorship unless and until such Participant has a subsequent Termination of Employment or Termination of Consultancy, as the case may be.

2.57 "**Termination of Employment**" means: (a) a termination of employment (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (b) that an entity that is employing a Participant ceases to be an Affiliate of the Company, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate of the Company at the time the entity ceases to be an Affiliate of the Company. If an Eligible Employee becomes a Consultant or a Non-Employee Director upon the termination of his or her employment, unless otherwise determined by the Committee, no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee, a Consultant or a Non-Employee Director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Employment in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter.

2.58 "**Transfer**" means: (a) when used as a noun, any direct or indirect transfer, offer, sale, assignment, pledge, lease, donation, grant, gift, bequest, hypothecation, encumbrance or other disposition (including the issuance of equity in a Person), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, offer, sell, assign, pledge, lease, donate, grant, gift, bequest, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in a Person) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). "Transferable" and "Transferred" shall each have a correlative meaning.

2.59 "**U.S. Participant**" means a Participant who (i) is resident in, or a citizen or green card holder of, the United States of America on the applicable date of grant, or (ii) is otherwise subject to taxation in the United States of America on the applicable date of grant.

2.60 "**Voting Securities**" means the securities of the Company generally entitled to vote in the election of directors of the Board.

2.61 "**Working Time**" has the meaning given in paragraph 27 of Schedule 5 to the EMI Code.

ARTICLE III

ADMINISTRATION

3.1 The Committee. The Plan shall be administered and interpreted by the Committee.

3.2 Grants of Awards. Subject to the terms and conditions hereof, the Committee shall have full authority to grant Awards to Eligible Employees, Consultants and Non-Employee Directors. Without limiting the foregoing, the Committee shall have the authority, in accordance with the terms of the Plan:

(a) to select the Eligible Employees, Consultants and Non-Employee Directors to whom Awards may from time to time be granted hereunder;

(b) to determine whether and to what extent Awards are to be granted hereunder to one or more Eligible Employees, Consultants or Non-Employee Directors;

(c) to determine the number of shares, and class, of Common Stock to be covered by each Award granted hereunder;

(d) to determine the terms and conditions of any Award granted hereunder (including the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof);

(e) to determine whether and under what circumstances the exercise price of any Stock Option may be paid in cash or Common Stock under Section 6.3(d);

(f) to determine whether and under what circumstances to provide loans (which may be on a recourse basis and shall bear interest at the rate the Committee shall provide) to Participants to exercise Awards or to purchase or pay for shares of Common Stock issuable pursuant to Awards under the Plan; provided, that (i) on and after the Registration Date executive officers and directors are not eligible to receive such loans, and (ii) all outstanding loans with executive officers and directors shall be repaid before the Registration Date;

(g) to determine whether a Stock Option is an Incentive Stock Option, a Non-Qualified Stock Option or an EMI Share Option;

(h) to determine at the time of grant whether to require a Participant, as a condition of the granting of any Stock Option, not to Transfer shares of Common Stock acquired pursuant to the exercise of a Stock Option for a period of time as determined by the Committee, following the date of acquisition of such shares of Common Stock;

(i) to modify, extend or renew an Award, subject to Article XI and Section 6.3(f); and

(j) generally, to exercise such powers and to perform such acts as the Committee deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

The Committee may (i) designate employees of the Company and its Affiliates and advisors (including counsel and consultants) to assist the Committee in the administration of the Plan, (ii) rely upon any opinion received from any such advisor and (iii) to the extent permitted by applicable law and applicable exchange rules, grant authority to officers or employees of the Company and its Affiliates to grant Awards or execute agreements or other documents on behalf of the Committee. When such delegation is so made by the Committee, such committee shall have the authority of the Committee described in Sections 3.2(a), 3.2(b), 3.2(c) and 3.2(d) with respect to the granting of such Awards; provided, that the Committee may limit or qualify the authority under any such delegation in any manner it deems appropriate.

3.3 Guidelines. Subject to Article XI, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan and perform all acts, including the delegation of its responsibilities (to the extent permitted by applicable law and applicable stock exchange rules), as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of the Plan and any Award granted under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to effectuate the purpose and intent of the Plan. The Committee may adopt special guidelines and provisions for Persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions to comply with applicable tax and securities laws of such domestic or foreign jurisdictions.

3.4 Decisions Final. Any decision, interpretation, determination, evaluation, election, approval, authorization, appointment, consent or other action made or taken by or at the direction of the Company, the Board or the Committee (or any of its members) arising out of or in connection with the Plan or any agreement relating to an Award or the Plan, shall be within the sole and absolute discretion of all and each of them, as the case may be, and shall be final, binding and conclusive on the Company and all employees and Participants, and their respective heirs, executors, administrators, successors and assigns. Nothing in the Plan shall obligate the Company, the Board or the Committee (or any of its members) to treat any Participants alike, and the exercise of any power or discretion by any such Person with respect to any Participant shall not create any obligation on the part of such Person to take any similar action in the case of any other Participant; it being understood that any power or discretion of the Company, the Board or the Committee (or any of its members) shall be treated as having been so conferred as to each Participant separately.

3.5 Procedures. If the Committee is appointed, the Board shall designate one of the members of the Committee as chairman and the Committee shall hold meetings, subject to the Bylaws of the Company, at such times and places as it shall deem advisable, including by telephone conference or by written consent to the extent permitted by applicable law. A majority of the Committee members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by all the Committee members in accordance with the Bylaws of the Company, shall be as fully effective as if it had been made by a vote at a meeting duly called and held. The Committee shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

3.6 Limitation of Liability; Indemnification .

(a) The Committee, its members and any Person designated pursuant to Section 3.2 shall not be liable for any action or determination made in good faith with respect to the Plan. To the maximum extent permitted by applicable law, no officer or former officer of the Company or any of its Affiliates or member or former member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted under it.

(b) To the maximum extent permitted by applicable law and the Articles of Incorporation and Bylaws of the Company and to the extent not covered by insurance directly insuring such Person, each officer and employee of the Company or any of its Affiliates, and each member and former member of the Committee or the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Committee) or liability (including any sum paid in settlement of a claim with the approval of the Committee), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the administration of the Plan, except to the extent arising out of such officer's, employee's, member's or former officer's, employee's or member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the employees, officers, directors or members or former employees, officers, directors or members may have under applicable

law or under the Articles of Incorporation or Bylaws of the Company or any of its Affiliates. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to him or her under the Plan.

ARTICLE IV

SHARE LIMITATIONS

4.1 General Limitations. The aggregate number of shares of Common Stock that may be issued or used for reference purposes under the Plan or with respect to which Awards may be granted under the Plan, including with respect to Incentive Stock Options, shall not exceed Fifteen percent (15%) of the issued and outstanding shares of Common Stock of the Company (subject, in each case, to any increase or decrease pursuant to Section 4.2). If any Award granted under the Plan expires, terminates or, is canceled or forfeited for any reason (in the case of any Stock Option, without having been exercised in full), the number of shares of Common Stock underlying such Award (in the case of any Stock Option, to the extent unexercised) shall again be available for issuance under the Plan. To the extent that a distribution pursuant to a Stock Option is made in cash, the share reserve shall be reduced by the number of shares of Common Stock bearing a value equal to the amount of the cash distribution as of the time that such amount was determined. Shares of Common Stock tendered to the Company by a Participant to (i) purchase shares of Common Stock upon the exercise of an Award or (ii) satisfy tax withholding obligations (including shares retained from the Award that was exercised or that created the tax obligation) shall be added back to the number of shares available for the future grant of Awards, other than with respect to the grant of Incentive Stock Options. No fractional shares of Common Stock shall be issued under the Plan.

4.2 Changes.

(a) The existence of the Plan and the Awards granted hereunder shall not affect the right or power of the Board or the stockholders of the Company to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's capital structure, (ii) any merger or consolidation of the Company or any of its Affiliates, (iii) any issuance of bonds, debentures, preferred stock or Common Stock, (iv) the dissolution or liquidation of the Company or any of its Affiliates, (v) any Transfer of all or part of the assets or business of the Company or any of its Affiliates, (vi) any Section 4.2 Event or (vii) any other corporate act or proceeding.

(b) Subject to the provisions of this Section 4.2(b), in the event of any Section 4.2 Event then (i) the aggregate number and kind of shares that thereafter may be issued under the Plan, (ii) the number and kind of shares or other property (including cash) subject to any Award or to be issued upon exercise of an outstanding Stock Option granted under the Plan and (iii) the purchase or exercise price thereof, in each case, shall be appropriately adjusted consistent with such change in such manner as the Committee may determine or the Committee may provide for the payment of cash or other property as the Committee may determine. Any such adjustment determined by the Committee

shall be final, binding and conclusive on the Company and all Participants, and their respective heirs, executors, administrators, successors and assigns. In connection with any Section 4.2 Event, the Committee may provide for the cancellation of any outstanding Awards and payment in cash or other property in exchange therefor, in a manner intended to be exempt from or comply with Section 409A of the Code. Except as provided in this Section 4.2 or in the applicable Award agreement, a Participant shall have no rights by reason of any issuance by the Company of any class of securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend, any other increase or decrease in the number of shares of stock of any class, any sale or Transfer of all or part of the Company's assets or business or any other change affecting the Company's capital structure or business.

(c) Fractional shares of Common Stock resulting from any adjustment in Awards pursuant to Section 4.2(a) or (b) shall be eliminated at the time of such adjustment by rounding-down for any fractional shares. Notice of any adjustment shall be given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

(d) In connection with an Acquisition Event, the Committee may terminate all outstanding and unexercised Stock Options or other Awards that provide for a Participant elected exercise ("**Exercisable Awards**"), effective as of the date of the Acquisition Event, by delivering notice of termination to each Participant at least ten days prior to the date of consummation of the Acquisition Event, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each such Participant shall have the right to exercise his or her Exercisable Awards that are then outstanding, whether or not vested as of the date on which such notice of termination is delivered (or, at the discretion of the Committee, without regard to any limitations on exercisability otherwise contained in the Award agreements), contingent upon and subject to the occurrence of the Acquisition Event, and, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void. If the Acquisition Event does take place after giving such notice, any Exercisable Awards not exercised prior to the date of the consummation of such Acquisition Event shall be forfeited simultaneous with the consummation of the Acquisition Event. For the avoidance of doubt, in the event of an Acquisition Event, the Committee may terminate any Exercisable Award for which the exercise price is equal to or exceeds the Fair Market Value of the Common Stock subject to such Exercisable Award on the date of such termination, without payment of consideration therefor.

If an Acquisition Event occurs but the Committee does not terminate the outstanding Exercisable Awards pursuant to this Section 4.2(d), then the applicable provisions of Section 4.2(b) and Article X shall apply.

4.3 Minimum Purchase Price. Notwithstanding any provision of the Plan to the contrary, if authorized but previously unissued shares of Common Stock are issued under the Plan, such shares shall not be issued for a consideration that is less than as permitted under applicable law.

ARTICLE V

ELIGIBILITY AND GENERAL REQUIREMENTS FOR AWARDS

5.1 General Eligibility. All current Eligible Employees, Non-Employee Directors and Consultants and prospective Eligible Employees, Consultants and Non-Employee Directors are eligible to be granted Non-Qualified Stock Options, Restricted Stock and Other Stock-Based Awards. Eligibility for the grant of Awards and actual participation in the Plan shall be determined by the Committee.

5.2 Incentive Stock Options. Only Eligible Employees of the Company, its Subsidiaries and its Parent (if any) are eligible to be granted Incentive Stock Options under the Plan. Eligibility for the grant of an Incentive Stock Option and actual participation in the Plan shall be determined by the Committee.

5.3 EMI Share Options. An EMI Share Option may only be granted to an EMI Eligible Employee. Eligibility for the grant of an EMI Share Option and actual participation in the Plan shall be determined by the Committee.

5.4 General Requirement. The granting, vesting and exercise of Awards granted to a prospective Eligible Employee, Consultant or Non-Employee Director are conditioned upon such individual actually becoming an Eligible Employee, Consultant or Non-Employee Director. No Award may be granted to a prospective Eligible Employee, Consultant or Non-Employee Director unless the Company determines that the Award will comply with applicable laws, including the securities laws of all relevant jurisdictions.

ARTICLE VI

STOCK OPTIONS

6.1 Stock Options. Each Stock Option granted under the Plan shall be any of the following: (a) an Incentive Stock Option; (b) a Non-Qualified Stock Option; or (c) an EMI Share Option.

6.2 Grants. Subject to Section 5.2, the Committee may grant to any Eligible Employee (other than an EMI Eligible Employee) Incentive Stock Options, Non-Qualified Stock Options or both types of Stock Options, and may grant to any EMI Eligible Employee EMI Share Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Stock Option or the portion thereof that does not qualify, shall constitute a separate Non-Qualified Stock Option. The Committee may grant any Consultant or Non-Employee Director one or more Non-Qualified Stock Options.

6.3 Terms of Stock Options. Stock Options granted under the Plan shall be subject to the following terms and conditions, and shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall determine:

(a) *Exercise Price.* The exercise price per share of Common Stock subject to a Stock Option shall be determined by the Committee on the date of the grant; provided, that the per share exercise price of a Stock Option shall not be less than one hundred percent (100%) (or, in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, one hundred ten percent (110%)) of the Fair Market Value thereof on the date of the grant SAVE THAT the exercise price per share of Common Stock subject to an EMI Share Option may be less than one hundred percent (100%) of the Fair Market Value thereof on the date of grant, but not in any event less than the par value of such a share of Common Stock.

(b) *Stock Option Term.* The term of each Stock Option shall be fixed by the Committee; provided, that (i) no Stock Option shall be exercisable more than ten years after the date such Stock Option is granted; (ii) the term of an Incentive Stock Option granted to a Ten Percent Stockholder shall not exceed five years; and (iii) no EMI Share Option may be exercised more than 12 months after the date of death of the individual to whom it was granted.

(c) *Exercisability.* The exercisability of each Stock Option shall be determined by the Committee at the time of grant.

(d) *Method of Exercise.* A Stock Option may be exercised in whole or in part at any time and from time to time during the Stock Option term by giving written notice of exercise to the Company specifying the number of shares of Common Stock to be acquired. Such notice shall be in a form acceptable to the Committee and shall be accompanied by payment in full of the exercise price as follows: (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) solely to the extent permitted by applicable law, if the Common Stock is traded on a national securities exchange or quoted on a national quotation system, through a procedure whereby the Participant delivers irrevocable instructions to a broker reasonably acceptable to the Committee to deliver promptly to the Company an amount equal to the purchase price, to the extent authorized by the Committee; or (iii) on such other terms and conditions as may be acceptable to the Committee. No shares of Common Stock or Units shall be issued until payment therefor, as provided herein, has been made or provided for.

(e) *Incentive Stock Option Limitations.* To the extent that the aggregate Fair Market Value (determined as of the date of grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Eligible Employee (other than an EMI Eligible Employee) during any calendar year under the Plan or any other stock option plan of the Company, any Subsidiary or any Parent exceeds $100,000, such Stock Options shall be treated as Non-Qualified Stock Options. In addition, if an Eligible Employee (other than an EMI Eligible Employee) does not remain employed by

the Company, any Subsidiary or any Parent at all times from the time an Incentive Stock Option is granted until three months prior to the date of exercise thereof (or such other period as required by applicable law), such Stock Option shall be treated as a Non-Qualified Stock Option. Should any provision of the Plan not be necessary for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

(f) *Form, Modification, Extension and Renewal of Stock Options.* Subject to the terms and conditions and within the limitations of the Plan, Stock Options shall be evidenced by such form of agreement or grant as is approved by the Committee, and the Committee may (i) modify, extend or renew outstanding Stock Options granted under the Plan (provided, that (x) the rights of a Participant are not reduced or adversely affected without his or her consent and (y) such action does not subject the Stock Options to Section 409A of the Code), and (ii) accept the surrender of outstanding Stock Options (to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefor. Notwithstanding the foregoing, after the Registration Date an outstanding Stock Option may not be modified to reduce the exercise price thereof and a new Stock Option at a lower price may not be substituted for a surrendered Stock Option (other than adjustments or substitutions in accordance with Section 4.2), unless such action is approved by the stockholders of the Company.

(g) *Other Terms and Conditions,* Stock Options may contain such other provisions, which shall not be inconsistent with any of the terms of the Plan, as the Committee shall deem appropriate, as set forth in a Stock Option grant agreement.

(h) *Limits on the grant of EMI Share Options.*

(i) An EMI Share Option may only be granted to an EMI Eligible Employee insofar as the initial market value of shares of Common Stock which may be acquired on exercise of the EMI Share Option (determined as mentioned in paragraph 56 of Schedule 5 in the EMI Code) and aggregated, if appropriate, with certain other rights to acquire Shares (as referred to in paragraph 5 of Schedule 5 in the EMI Code), including:

(A) the aggregate initial market value of shares of Common Stock in respect of which rights to acquire shares of Common Stock have been granted to the EMI Eligible Employee, whether or not pursuant to this Plan, which rank as EMI Share Options and which have neither been exercised nor ceased to be exercisable; and

(B) the aggregate market value of shares of Common Stock in respect of which rights to acquire shares of Common Stock have been obtained by the EMI Eligible Employee under any Company Share Option Plan approved under Schedule 4 of the UK Income Tax (Earnings and Pensions) Act 2003 and which has been established by the Company or any other company within the EMI Group and which have neither been exercised nor ceased to be exercisable

does not exceed £250,000 or such other limit as is from time to time specified in the EMI Code.

(ii) No EMI Options shall be granted if such grant would cause the limit of £3 million on the value of shares of Common Stock subject to unexercised EMI Share Options, or such other limit as is specified in paragraph 7 of Schedule 5 in the EMI Code from time to time, to be exceeded.

ARTICLE VII

RESTRICTED STOCK

7.1 Awards of Restricted Stock.

(a) Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Employees, Consultants and Non-Employee Directors to whom, and the time or times within which, grants of Restricted Stock will be made, the number of shares to be awarded, the purchase price (if any) to be paid by the Participant (subject to Section 7.2), the time or times at which such Awards may be subject to forfeiture (if any), the vesting schedule (if any) and rights to acceleration thereof, and all other terms and conditions of the Awards. The Committee may condition the grant or vesting of Restricted Stock upon the attainment of specified performance targets or such other factors as the Committee may determine.

(b) *Restriction Period.* The Participant shall not be permitted to Transfer shares of Restricted Stock awarded under the Plan during a period set by the Committee (if any) (the "**Restriction Period**") commencing with the date of such Award, as set forth in the applicable Award agreement and such agreement shall set forth a vesting schedule and any events that would accelerate vesting of the shares of Restricted Stock. Within these limits, based on service or such other factors or criteria as the Committee may determine, the Committee may condition the grant or provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award.

7.2 Awards and Certificates. An Eligible Employee, Consultant and Non-Employee Director selected to receive Restricted Stock shall not have any rights with respect to such Award, unless and until such Participant has delivered a fully executed copy of the Award agreement evidencing the Award to the Company and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a) *Purchase Price.* The purchase price (if any) of Restricted Stock shall be determined by the Committee, but shall not be less than as permitted under applicable law.

(b) *Acceptance.* Awards of Restricted Stock must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the grant date, by executing an Award agreement and by paying whatever price (if any) the Committee has designated thereunder and all applicable withholding taxes due upon the granting and acceptance of the Award (if any) in accordance with the provisions of Section 13.4.

(c) *Legend.* Each Participant receiving Restricted Stock shall be issued a stock certificate in respect of such shares of Restricted Stock, unless the Committee elects to use another system, such as book entries by the transfer agent, as evidencing ownership of Restricted Stock. Such certificate shall, in addition to any legends required by applicable securities laws, be registered in the name of such Participant, and shall bear any legends required by applicable securities laws, as well as an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Xenetic Biosciences, Inc. (the "Company") Equity Incentive Plan (as amended from time to time), and an Award agreement entered into between the registered owner and the Company dated _____. Copies of such Plan and Award agreement are on file at the principal office of the Company."

(d) *Custody.* The Committee may require that any stock certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any grant of Restricted Stock, the Participant shall have delivered a duly signed stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(e) *Rights as Stockholder.* Except as provided in this subsection and subsection (d) above and as otherwise determined by the Committee, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a holder of shares of Common Stock of the Company including the right to receive any dividends, the right to vote such shares and, subject to and conditioned upon the full vesting of shares of Restricted Stock, the right to tender such shares. Notwithstanding the foregoing, the payment of dividends shall be deferred until, and conditioned upon, the expiration of the applicable Restriction Period, unless the Committee specifies otherwise at the time of the Award.

(f) *Lapse of Restrictions.* If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, the

certificates for such shares shall be delivered to the Participant. The legend referred to in subsection (c) above shall be removed from said certificates at the time of delivery to the Participant except as otherwise required by applicable law. Notwithstanding the foregoing, actual certificates shall not be issued to the extent that book entry recordkeeping is used.

ARTICLE VIII

OTHER STOCK-BASED AWARDS

8.1 Other Awards. The Committee is authorized to grant to Eligible Employees, Consultants and Non-Employee Directors Other Stock-Based Awards, including shares of Common Stock awarded purely as a bonus and not subject to any restrictions or conditions, shares of Common Stock in payment of the amounts due under an incentive or performance plan sponsored or maintained by the Company or an Affiliate, stock equivalent units, restricted stock units, deferred stock units, and Awards valued by reference to the value of shares of Common Stock. The Committee may condition the grant or vesting of Other Stock-Based Awards upon the attainment of specified performance criteria or such other factors as the Committee may determine. The Committee may also provide for the grant of Common Stock under such Awards upon the completion of a specified performance period. Other Stock-Based Awards may be granted either alone or in addition to or in tandem with other Awards granted under this Plan.

Subject to the provisions of this Plan, the Committee shall have authority to determine the Eligible Employees, Consultants and Non-Employee Directors, to whom, and the time or times at which, such Awards shall be made, the number of shares, and class, of Common Stock to be awarded pursuant to such Awards, and all other conditions of the Awards. To the extent permitted by law, the Committee may permit Eligible Employees or Non-Employee Directors to defer all or a portion of their cash compensation in the form of Other Stock-Based Awards granted under this Plan, subject to the terms and conditions of any deferred compensation arrangement established by the Company, which shall be in a manner intended to comply with Section 409A of the Code.

8.2 Terms and Conditions. Other Stock-Based Awards made pursuant to this Article VIII shall be subject to the following terms and conditions:

(a) Non-Transferability. Subject to the applicable provisions of the Award agreement and this Plan, neither Other Stock-Based Awards nor the shares of Common Stock subject to them may be Transferred prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(b) Dividends. Unless otherwise determined by the Committee at the time of Award, subject to the provisions of the Award agreement and this Plan, the recipient of an Other Stock-Based Award shall not be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares of Common Stock covered by the Award.

(c) Vesting. Any Other Stock-Based Award and any Common Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award agreement, as determined by the Committee.

(d) Price. Common Stock issued on a bonus basis pursuant to an Other Stock-Based Award may be issued for no cash consideration; Common Stock purchased pursuant to a purchase right pursuant to an Other Stock-Based Award shall be priced, as determined by the Committee.

(e) Payment. Form of payment for the Other Stock-Based Award shall be specified in the Award agreement.

ARTICLE IX

NON-TRANSFERABILITY AND TERMINATION OF EMPLOYMENT/CONSULTANCY/DIRECTORSHIP

9.1 Non-Transferability

(a) Except as otherwise specifically provided herein, (i) no Stock Option shall be Transferable by the Participant other than by will or by the laws of descent and distribution, and (ii) all Stock Options shall be exercisable, during the Participant's lifetime, only by the Participant. Any attempt to Transfer Stock Options other than in accordance with the provisions of this Section 9.1 shall be void.

(b) Notwithstanding the foregoing, the Committee may determine at the time of grant or thereafter that a Non-Qualified Stock Option is Transferable to a Family Member of a Participant, in whole or in part and in such circumstances, and under such conditions, as specified by the Committee; provided, that such Transfer shall not be effective unless and until the Company shall have been furnished with information reasonably satisfactory to it demonstrating that such Transfer is exempt from or not subject to the provisions of Section 5 of the Securities Act and any other applicable securities laws. A Non-Qualified Stock Option that is Transferred to a Family Member pursuant to the preceding sentence (i) may not be subsequently Transferred other than by will or by the laws of descent and distribution and (ii) remains subject to the terms of the Plan and the applicable Stock Option agreement.

(c) All Awards Transferred to a Family Member (and all shares of Common Stock acquired upon the exercise of a Stock Option and held by a Family Member) shall be subject to the terms of the Plan and the applicable Stock Option agreement.

(d) In the event of a Participant's death, the Committee may require the transferee of a Participant to supply it with written notice of the Participant's death and to supply it with a copy of the will or such other evidence as the Committee deems necessary to establish the validity of the Transfer of a Stock Option. The Committee may also require the agreement of the transferee to be bound by all of the terms and conditions of the Plan.

(e) Prior to the Registration Date or such other date determined by the Committee, no Participant shall Transfer any shares of Common Stock acquired pursuant to an Award. Notwithstanding the foregoing, a Participant shall have the right to Transfer such shares of Common Stock to a Family Member who takes the shares subject to the terms of the Plan and any applicable Award or stockholders agreement to which the Company is a party; provided, that such Transfer shall not be effective unless and until the Company shall have been furnished with information reasonably satisfactory to it demonstrating that such Transfer is exempt from or not subject to the provisions of Section 5 of the Securities Act and any other applicable securities laws. Any attempt to Transfer any shares of Common Stock other than in accordance with the provisions of this Section 9.1 shall be void and immediately cancelled.

(f) No Award shall in any manner be liable for, or subject to the debts, contracts, liabilities, engagements or torts of any Person who shall be entitled to such Award, or be subject to attachment or legal process for or against such Person.

9.2 Termination. Unless otherwise determined by the Committee at grant, the following shall apply in the event of a Termination of a Participant:

(a) *Rules Applicable to Stock Options.*

(i) *Termination by Reason of Death or Disability.* If a Participant's Termination is by reason of death or Disability, all Stock Options that were granted to such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant, or Family Member to whom such Stock Options were Transferred (or, in the case of death, by the legal representative of the Participant's estate), at any time within a period of one year after the date of such Termination, but in no event later than the expiration of the stated term of such Stock Options, after which time such Stock Options automatically shall terminate.

(ii) *Involuntary Termination without Cause or Voluntary Termination.* If a Participant's Termination is by involuntary termination by the Company without Cause or a voluntary Termination for or without Good Reason by the Participant (other than a voluntary termination described in subsection (iii)(2) below), all Stock Options that were granted to such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant, or Family Member to whom such Stock Options were Transferred, at any time within a period of 90 days after the date of such Termination, but in no event later than the expiration of the stated term of such Stock Options, after which time such Stock Options automatically shall terminate.

(iii) *Termination for Cause; Voluntary Termination without Good Reason.* If a Participant's Termination: (1) is for Cause, (2) is a voluntary Termination by the Participant after the occurrence of an event that would be grounds for a Termination for Cause, all Stock Options, whether vested or not vested, that were granted to such Participant shall automatically terminate on the date of such Termination.

(iv) *Unvested Stock Options.* Stock Options that were granted to a Participant and are not vested as of the date of such Participant's Termination for any reason shall terminate on the date of such Termination.

(b) *Rules Applicable to Restricted Stock.* Unless otherwise determined by the Committee at grant or thereafter, during the relevant Restriction Period, upon a Participant's Termination for any reason, all Restricted Stock that was granted to such Participant and still subject to restriction shall be forfeited.

(c) *Rules Applicable to other Stock-Based Awards.* The effect of a Participant's Termination on any Other Stock-Based Award shall be as provided in the applicable Award agreement.

ARTICLE X

CHANGE IN CONTROL PROVISIONS

10.1 Except as otherwise provided by the Committee in an Award agreement, in the event of a Change in Control after the Effective Date, the Committee may, but shall not be obligated to:

(a) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an Award;

(b) cancel Awards for fair value (as determined by the Committee) which, in the case of Stock Options or other Exercisable Awards may equal the excess, if any, of the value of the consideration to be paid in the Change in Control transaction to holders of the same number of shares of Common Stock subject to such Stock Options or other Exercisable Awards (or, if no consideration is paid in any such transaction, the Fair Market Value of the shares of Common Stock subject to such Stock Options or other Exercisable Awards on the date of such cancellation) over the aggregate exercise price of such Stock Options or Awards;

(c) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Award previously granted hereunder as determined by the Committee; or

(d) if such Change in Control is an Acquisition Event, take any of the actions permitted by Section 4.2(d).

ARTICLE XI

TERMINATION OR AMENDMENT

11.1 Notwithstanding any other provision of the Plan, the Board or the Committee may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of the Plan (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Article XIV or Section 409A of the Code as described below), or suspend or terminate it entirely, retroactively or otherwise; provided, that (x) if the Committee determines that the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination, may be adversely impaired in any material respect, the consent of such Participant shall be required, and (y) without the approval of the stockholders of the Company entitled to vote in accordance with applicable law, no amendment may be made that would:

(a) increase the aggregate number of shares of Common Stock that may be issued under the Plan (other than due to an adjustment under Section 4.2);

(b) change the classification of individuals eligible to receive Awards under the Plan;

(c) decrease the minimum exercise price of any Stock Option;

(d) extend the maximum Stock Option period under Section 6.3;

(e) award any Stock Option in replacement of a canceled Stock Option with a higher exercise price, except in accordance with Section 6.3(f); or

(f) require stockholder approval in order for the Plan to continue to comply with Section 422 of the Code to the extent applicable to Incentive Stock Options or the rules of any exchange or system on which the Company's securities are listed or traded at the request of the Company.

11.2 The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, subject to Article IV; provided, that no such amendment or other action by the Committee shall adversely affect the rights of any holder without the holder's consent. Notwithstanding anything herein to the contrary, the Board or the Committee may amend the Plan or any Award granted hereunder at any time without a Participant's consent to comply with Section 409A of the Code or any other applicable law. Nothing in the Plan is intended to provide a guarantee of particular tax treatment to any Participant.

ARTICLE XII

UNFUNDED PLAN

12.1 The Plan is intended to constitute an "unfunded" plan. With respect to any payments as to which a Participant has a fixed and vested interest but that are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general unsecured creditor of the Company.

ARTICLE XIII

GENERAL PROVISIONS

13.1 Legend. The Committee may require each Person receiving shares of Common Stock pursuant to an Award granted under the Plan to represent to and agree with the Company in writing that such Person is acquiring the shares without a view to distribution thereof and such other securities law related representations as the Committee shall request. In addition to any legend required by the Plan, the certificates and book entry accounts for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on Transfer.

All certificates and book entry accounts for shares of Common Stock delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or any national automated quotation system on which the Common Stock is then quoted, any applicable Federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

13.2 Other Plans. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

13.3 No Right to Employment/Consultancy/Directorship. Neither the Plan nor the grant of any Award hereunder shall give any Participant or other employee, Consultant or Non-Employee Director any right with respect to continuance of employment, consultancy or directorship by the Company or any of its Affiliates, or shall limit in any way the right of the Company or any of its Affiliates by which an employee is employed or a Consultant or Non-Employee Director is retained to terminate his or her employment, consultancy or directorship at any time.

13.4 Withholding of Taxes. The Company shall have the right to deduct from any payment to be made to a Participant, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, the minimum Federal, state or local taxes statutorily required to be withheld. Upon the vesting of Restricted Stock (or any other Award that is taxable upon vesting), or upon making an

election under Section 83(b) of the Code, a Participant shall pay the minimum statutorily required withholding taxes to the Company. Any statutorily required withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee, by reducing the number of shares of Common Stock otherwise deliverable to the Participant or by delivering shares of Common Stock already owned by the Participant. Any fraction of a share of Common Stock required to satisfy such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

13.5 Listing and Other Conditions.

(a) Unless otherwise determined by the Committee, if at any time on or after the Registration Date the Common Stock is listed on a national securities exchange or national automated quotation system, the issuance of any shares of Common Stock pursuant to an Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Award with respect to such shares shall be suspended until such listing has been effected.

(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Award is or may in the circumstances be unlawful, result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction or violate the rules of any established securities exchange, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise with respect to shares of Common Stock or Awards, and the right to exercise any Award shall be suspended until, in the opinion of said counsel, such sale or delivery will be lawful, will not result in the imposition of excise taxes on the Company and will not violate the rules of any established securities exchange.

(c) Upon termination of any period of suspension under this Section 13.5, an Award affected by such suspension that shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares that would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Award.

(d) A Participant shall be required to supply the Company with any certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.

13.6 Governing Law. All matters arising out of or relating to the Plan, the actions taken in connection herewith and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Nevada, without giving effect to its principles of conflict of laws.

13.7 Construction. Wherever any words are used in the Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply. As used herein, (i) "or" shall mean "and/or" and (ii) "including" or "include" shall mean "including, without limitation." Any reference herein to an agreement in writing shall be deemed to include an electronic writing to the extent permitted by applicable law.

13.8 Other Benefits. No Award granted or paid out under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its Affiliates nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

13.9 Costs. The Company shall bear all expenses associated with administering the Plan, including expenses of issuing Common Stock pursuant to any Award granted hereunder.

13.10 No Right to Same Benefits. The provisions of Awards need not be the same with respect to each Participant, and Awards granted to individual Participants need not be the same.

13.11 Severability of Provisions. If at any time any of the provisions of the Plan shall be held invalid or unenforceable or are prohibited by the laws of the jurisdiction where they are to be performed or enforced, by reason of being vague or unreasonable as to duration or geographic scope or scope of the activities restricted, or for any other reason, such provisions shall be considered divisible and shall become and be immediately amended to include only such restrictions and to such extent as shall be deemed to be reasonable and enforceable by the court or other body having jurisdiction over the Plan and the provisions of the Plan, as so amended, shall be valid and binding as though any invalid or unenforceable provisions had not been included.

13.12 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

13.13 Securities Act Compliance. Except as the Company or Committee shall otherwise determine, the Plan is intended to comply with Section 4(2) or Rule 701 of the Securities Act.

13.14 Successors and Assigns. The Plan shall be binding on all successors and permitted assigns of a Participant, including the estate of such Participant and the executor, administrator or trustee of such estate.

13.15 Payment to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent Person or other Person incapable of receipt thereof shall be deemed paid when paid to such Person's guardian or to the party providing or reasonably appearing to provide for the care of such Person, and such payment shall fully discharge the Committee, the Board, the Company, its Affiliates and their employees, agents and representatives with respect thereto.

13.16 Agreement. Unless otherwise specified in the applicable Award agreement, as a condition to the grant of an Award, if requested by the Company or the Lead Underwriter, a Participant shall irrevocably agree not to sell, contract to sell, grant any option to purchase,

transfer the economic risk of ownership in, make any short sale of, pledge or otherwise Transfer or dispose of, any interest in any Common Stock or any securities convertible into, derivative of, or exchangeable or exercisable for, or any other rights to purchase or acquire Common Stock (except Common Stock included in such public offering or acquired on the public market after such offering) during such period of time following the effective date of a registration statement of the Company filed under the Securities Act that the Lead Underwriter shall specify (the "**Lock-up Period**"). The Participant shall further agree to sign such documents as may be requested by the Lead Underwriter or the Company to effect the foregoing and agree that the Company may impose stop-transfer instructions with respect to Common Stock acquired pursuant to a Stock Option until the end of such Lock-up Period.

13.17 No Rights as Stockholder. Subject to the provisions of the Award agreement, no Participant shall have any rights as a stockholder of the Company with respect to any Award until such individual becomes the holder of record of the shares of Common Stock underlying the Award.

13.18 Section 409A of the Code. The following provisions of this Section 13.18 shall not apply in relation to the grant of an EMI Share Option to an EMI Eligible Employee. Although the Company does not guarantee to a Participant the particular tax treatment of any Award, all Awards are intended to comply with, or be exempt from, the requirements of Section 409A of the Code and the Plan and any Award agreement shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award constitutes "non qualified deferred compensation" pursuant to Section 409A of the Code (a "**Section 409A Covered Award**"), it is intended to be paid in a manner that will comply with Section 409A of the Code. In no event shall the Company be liable for any additional tax, interest or penalties that may be imposed on a Participant by Section 409A of the Code or for any damages for failing to comply with Section 409A of the Code. Notwithstanding anything in the Plan or in an Award to the contrary, the following provisions shall apply to Section 409A Covered Awards:

(a) A termination of employment shall not be deemed to have occurred for purposes of any provision of a Section 409A Covered Award providing for payment upon or following a termination of the Participant's employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of a Section 409A Covered Award, references to a "termination," "termination of employment" or like terms shall mean separation from service. Notwithstanding any provision to the contrary in the Plan or the Award, to the extent applicable, if the Participant is deemed on the date of the Participant's Termination to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code and using the identification methodology selected by the Company from time to time, or if none, the default methodology set forth in Section 409A of the Code, then with regard to any such payment under a Section 409A Covered Award, to the extent required to be delayed in compliance with Section 409A(a)(2)(B) of the Code, such payment shall not be made prior to the earlier of (i) the expiration of the six-month period measured from the date of the Participant's separation from service, and (ii) the date of the Participant's death. All payments delayed pursuant to this Section 13.18(a) shall be paid to the Participant on the first day of the seventh month following the date of the Participant's separation from service or, if earlier, on the date of the Participant's death.

(b) With respect to any payment pursuant to a Section 409A Covered Award that is triggered upon a Change in Control, unless otherwise provided in the Award agreement at grant, the settlement of such Award shall not occur until the earliest of (i) the Change in Control if such Change in Control constitutes a "change in the ownership of the corporation," a "change in effective control of the corporation" or a "change in the ownership of a substantial portion of the assets of the corporation," within the meaning of Section 409A(a)(2)(A)(v) of the Code, (ii) the date such Award otherwise would be settled pursuant to the terms of the applicable Award agreement and (iii) the Participant's "separation from service" within the meaning of Section 409A of the Code, subject to Section 13.18(a).

(c) For purposes of Section 409A of the Code, a Participant's right to receive any installment payments under the Plan or pursuant to an Award shall be treated as a right to receive a series of separate and distinct payments.

(d) Whenever a payment under the Plan or pursuant to an Award specifies a payment period with reference to a number of days (e.g., "payment shall be made within 30 days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

13.19 Consideration. Awards may be awarded in consideration for past services actually rendered to the Company or an Affiliate of the Company for its benefit; provided, that in the case of an Award to be made to a new Eligible Employee, Non-Employee Director, or Consultant who has not performed prior services for the Company or an Affiliate of the Company, the Company will require payment of the par value of the Common Stock by cash or check in order to ensure proper issuance of the shares in compliance with applicable law.

ARTICLE XIV

EFFECTIVE DATE OF PLAN

The Plan is effective January 23, 2014, which is the date of the Plan's adoption by the Board. The Plan shall be submitted for and subject to the approval of the stockholders of the Company in compliance with applicable law no later than twelve (12) months after such effective date.

ARTICLE XV

TERM OF PLAN

No Award shall be granted pursuant to the Plan on or after the tenth anniversary of the Effective Date, but Awards granted prior to such tenth anniversary may, and the Committee's authority to administer the terms of such Awards shall, extend beyond that date.

Exhibit 10.08

[***]

This [***] (this "Agreement"), dated as of January 29, 2014, is by and among Xenetic Biosciences, Inc., a Nevada corporation (the "Company"), and Baxter Healthcare SA (the "Investor").

WHEREAS, the Investor desires [***] from the Company and the Company desires to sell to the Investor [***] par value [***] of the Company (the [***] in cash of [***]

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. [***]

(a) Upon execution of this Agreement, the [***] will [***] and the Company will [***] for the aggregate consideration [***] cash (the [***]). The Investor will deliver to the Company by wire transfer of immediately available funds the aggregate amount of the Purchase Price, and the Company will record the purchase of [***] that the Investor is purchasing pursuant to the terms and conditions of this Agreement on its books and records.

2. Representations and Warranties.

(a) In connection with each purchase and sale of the [***] (as defined below) hereunder, the Investor represents and warrants to the Company that:

(i) It has such knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the [***] such Investor is able to bear the economic risk of the investment in [***] for an indefinite period of time because the [***] are subject to the [***] and have [***] (as amended from time to time, the "Securities Act") or the securities laws of any state or other jurisdiction;

(ii) This Agreement constitutes the legal, valid and binding obligation of the Investor, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (whether considered in a proceeding at law or equity)), and the execution, delivery, and performance of this Agreement by the Investor does not and will not conflict with, violate, or cause a breach of any agreement, contract, or instrument to which the Investor is a party or any judgment, order, or decree to which the Investor is subject.

(iii) The Investor is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act, and the [***] to be acquired by it pursuant to this Agreement are being acquired for its own account and not with a view to any distribution thereof or with any present intention of offering or selling any of the [***] in a transaction that would [***] or the [***] of any state of the United States of America or any other applicable jurisdiction.

(b) In connection with each purchase and sale of the [***] hereunder, the Company represents and warrants to the Investor that:

(i) The Company is a corporation validly organized, existing and in good standing under the laws of the state of Nevada, is duly qualified to do business and is in good standing as a foreign entity in each jurisdiction where the nature of its business requires such qualification.

(ii) The Company has full power and authority and holds all requisite governmental licenses, permits and other approvals to enter into and perform its obligations under or with respect to this Agreement, to issue the Shares to the Investor in properties and to conduct its business substantially as currently conducted by it.

(iii) The execution, delivery and performance by the Company and the [***] to the Investor in accordance with the terms hereof are within its organizational powers and have been duly authorized by all necessary organizational action on the part of the Company's Board of Directors.

(iv) This Agreement has been duly executed and delivered by the Company, and [***] will be duly authorized and, when [***] to the Investor in accordance with the terms hereof, will be validly issued, fully paid and nonassessable. This Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (whether considered in a proceeding at law or equity)).

(v) Assuming the accuracy of the representations and warranties of the Investor set forth in Section 2(a) hereof, [***] to the Investor pursuant to this Agreement [***] reason of [***] thereof [***] thereunder and similar provisions under applicable state securities laws.

(vi) None of the Company, its affiliates (as such term is defined in Rule 501 under the Securities Act, each an "Affiliate"), or any person acting on its or any of their behalf has, directly or indirectly, solicited any offer to buy or offered

to sell, or will, directly or indirectly, solicit any offer to buy or offer to sell, in the United States or to any United States citizen or resident, any security which is or would be integrated with the [***] in a manner that would require [***] to be [***]. None of the Company, its Affiliates or any person acting on its or any of their behalf has engaged or will engage, in connection [***], in any form of general solicitation or general advertising within the meaning of [***] under the [***] or in any directed selling efforts within the meaning of [***] under [***]. The Company has not engaged any [***] in connection with the [***].

(vii) The Company represents and agrees that the [***] is not made unavailable for an exemption under [***] of [***] by the [***], order, judgment, decree, suspension, injunction, expulsion or bar described in Rule 506(d) (each, a "Company Bad Actor Event"). Set forth on Exhibit B hereto is a description of each matter that would have been a Company Bad Actor Event had it not occurred before September 23, 2013.

(c) The Investor understands that [***] are [***] only in a transaction [***] in the United States within the meaning of the Securities Act, that [***] have [***] or any other [***], that the [***] will be "[***]" within the meaning of [***] under the Securities Act and that (i) prior to the expiration of the holding period applicable to [***] to [***] under the Securities Act, the [***] only in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction (A) (1) in a transaction meeting the requirements of Rule 144 under the Securities Act, (2) outside the U.S. to a foreign purchaser in a transaction meeting the requirements of Regulation S or (3) pursuant to a transaction that is otherwise exempt from the registration requirements of the Securities Act and state securities laws, (B) to the Company or (C) pursuant to an effective registration statement under the Securities Act and (ii) the Investor will notify any subsequent purchaser from it [***]. Until the earlier of the (i) date the Investor ceases to [***] and (ii) [***] of the date hereof, the Company shall use reasonable best efforts to file all reports required to be filed by it under the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and shall take such further action as the Investor may reasonably request, all to the extent required to enable the Investor to [***] pursuant to Rule 144 under the Securities Act, subject to Sections 4(a) and (b) below. The Investor agrees that the certificates representing the [***] shall bear a restrictive legend in substantially the following form:

"THE SECURITIES REPRESENTED BY [***] WERE ACQUIRED IN A TRANSACTION [***] THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND [***] OF [***] UNDER SUCH ACT OR AN APPLICABLE EXEMPTION THEREFROM TO THE REGISTRATION REQUIREMENTS OF SUCH ACT."

3. Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, sent by facsimile if confirmation is available or sent by reputable overnight courier service (charges prepaid) to the recipient at the address indicated in the Company's records. Any notice under this Agreement will be deemed to have been given when so delivered or sent.

4. Covenants.

[***] Until the earlier to occur of [***] (ii) [***] earlier date, the [***] the Investor [***]

(b) [***] Until the [***] the Investor [***] of the Company in an [***] volume of the [***] on the principal market or exchange [***] of [***] are traded, and in no event [***]

(c) Nasdaq Listing. The Company will use its best efforts to apply for and obtain listing of its common stock on any of Nasdaq's three U.S. markets [***]

(d) [***] The Company hereby grants to the Investor an option to [***] (the "Option"), that [***] the [***] and, together with the [***] the [***] as equals the product of the Applicable Percentage and the [***] in the event that the [***] is [***]. The [***] is equal to the absolute value of (i) one minus (ii) the [***] (B) the [***]. The [***] is equal to the [***] on the applicable Nasdaq stock market (or, on any trading day on which the Company [***] for [***] hereof. The Investor [***] during [***] following the [***] of the [***] by delivering to the Company, at the address identified in Section 2 hereof, a [***] the form of which is attached hereto as Exhibit A, together with [***]. The Company shall issue the [***] after the date of its receipt of the Notice of Option Exercise.

(e) At any [***], the Company will notify the Investor promptly [***] of which the Company hereafter becomes aware.

(f) The Company will file a Form D with [***] as required under [***] and shall provide a copy thereof to the Investor promptly after such filing. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for or to [***] for sale to the Investor pursuant to this Agreement under applicable securities or [***] of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Investor.

5. General Provisions.

(a) Counterparts: Electronic Delivery. This Agreement may be executed in multiple counterparts (including by means of telecopied signature pages or signature pages in ".pdf", ".tif" or similar format sent as an attachment to an electronic mail message), each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, to the extent delivered by means of electronic mail in ".pdf", ".tif" or similar format (any such delivery, an "Electronic Delivery"), shall be treated in all manners and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them (by means other than Electronic Delivery) to all other parties. No party hereto or to any such agreement or instrument shall raise (i) the use of Electronic Delivery to deliver a signature or (ii) the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

(b) Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Investor, the Company and their respective successors and assigns (including subsequent holders of the Shares).

(c) Choice of Law. The construction, validity and interpretation of this Agreement will be governed by and construed in accordance with the internal [***], without giving effect to principles of conflicts of laws or choice [***] or any other jurisdiction which would result in the application of the law of any jurisdiction other than the [***].

(d) Consent to Jurisdiction. Each party hereto, by its execution hereof, (i) hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State

[***] for the purpose of any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof, (ii) hereby waives to the extent not prohibited by applicable law, and agrees not to assert and not to allow any of its affiliates to assert, by way of motion, as a defense or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such proceeding brought in one of the above-named courts is improper, or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court and (iii) hereby agrees not to commence or maintain any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof or thereof other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation to any court other than one of the above-named courts whether on the grounds of inconvenient forum or otherwise.

(e) WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS [***] AS PLAINTIFF, DEFENDANT OR OTHERWISE) [***] IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 3(e) CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 3(e) WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

(f) Time is of the Essence. The parties hereto hereby expressly acknowledge and agree that time is of the essence for each and every provision of this Agreement.

(g) Specific Performance. The parties hereto acknowledge and agree that each would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, the parties hereto agree that each party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the parties hereto and the matter, in addition to any other remedy to which they may be entitled, at law or in equity.

(h) Entire Agreement. This Agreement contains the complete agreement among the parties hereto and supersedes any prior understanding, agreement or representation by or among the parties hereto, written or oral, that may have related to the subject matter hereof in any way.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

THE COMPANY:

XENETIC BIOSCIENCES, INC.

By: _____
Name:
Title:

INVESTOR:

BAXTER HEALTHCARE SA

By: /s/ Benedikt Kubik
Name: Benedikt Kubik
Title: Finance Director

By: /s/ Yvo Aebli
Name: Yvo Aebli
Title: Finance Director

[***]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

THE COMPANY:

XENETIC BIOSCIENCES, INC.

By: /s/ M. SCOTT MAGUIRE
Name: M. SCOTT MAGUIRE
Title: CHIEF EXECUTIVE OFFICER

INVESTOR:

BAXTER HEALTHCARE SA

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT A

[***]

_____
Date

Xenetic Biosciences, Inc.
16445 North 91st St., Suite 103
Scottsdale, AZ 85260

Attention: _____

Baxter Healthcare SA hereby elects to [***] to [***] _____ [***] of the Company's [***] pursuant to [***] of the [***], dated as of [***] (the "[***]"). All capitalized terms not otherwise defined herein shall have the meanings as provided in the [***].

Please issue [a certificate][book entry interests] for the [***] in the following name:

_____
Name

_____
Address

_____
Address

Very truly yours,

_____
BAXTER HEALTHCARE SA

_____
By:
Name:
Title:

Exhibit 10.09

AMENDMENT NO. 1 TO
STOCK PURCHASE AGREEMENT

This AMENDMENT NO. 1 (this "Amendment"), dated as of February 14, 2014, [***], dated as of January 29, 2014 (the "Agreement"), by and between Xenetic Biosciences, Inc., a Nevada corporation (the "Company"), and Baxter Healthcare SA (the "Investor").

WHEREAS, the Company and the [***] desire to modify the definition of "[***]" in the Agreement in order to ensure that the [***] subject to the [***] properly measured; and

WHEREAS, capitalized terms used but not otherwise defined in this Amendment shall have the meanings assigned to them in the Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definition of Measurement Period.

The definition of [***] in Section 4(d) of the Agreement is hereby amended to mean the period from (i) [***] on the date of the Agreement to (ii) [***] following the date thereof.

2. General Provisions.

(a) Counterparts. This Amendment may be executed in multiple counterparts (including by means of telecopied signature pages or signature pages in ".pdf", ".tif" or similar format sent as an attachment to an electronic mail message), each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

(b) Choice of Law. The construction, validity and interpretation of this Amendment will be governed by and construed in accordance with the internal [***], without giving effect to principles of conflicts of laws or choice of law of [***] or any other jurisdiction which would result in the application of the law of any jurisdiction other than the [***].

(c) Entire Agreement. The Agreement, as amended by this Amendment, contains the complete agreement among the parties hereto and supersedes any prior understanding, agreement or representation by or among the parties hereto, written or oral, that may have related to the subject matter hereof in any way. Other than as specifically amended by the terms hereof, the Agreement remains in full force and effect.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Amendment on the date first written above.

THE COMPANY:

XENETIC BIOSCIENCES, INC.

By: /s/ M. Scott Maguire
Name: M. Scott Maguire
Title: CEO

INVESTOR:

BAXTER HEALTHCARE SA

By: _____
Name:
Title:

By: _____
Name:
Title:

EXCLUSIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT

This Agreement ("AGREEMENT") is made and entered into August 15, 2005 (the "EFFECTIVE DATE") by and between Lipoxen Technologies Limited, a company registered in England and Wales with company number 03401495 and having its registered office at Suite 303, Hamilton House, Mabledon Place, London WC1H 9BB ("LIPOXEN"); Baxter Healthcare SA ("BHSA"), a corporation organized and existing under the laws of Switzerland, and Baxter Healthcare Corporation ("BHC") having its principal place of business at One Baxter Parkway, Deerfield, Illinois 60015 (BHSA and BHC collectively referred to as "BAXTER"). LIPOXEN and BAXTER may be referred to herein individually as a "PARTY" and collectively as the "PARTIES."

RECITALS

WHEREAS, BAXTER is in the business of developing, making, marketing and selling biopharmaceutical products [***] and has developed mammalian cell-line produced forms of [***] and [***]

WHEREAS, BAXTER has developed proprietary technology concerning [***]

WHEREAS, LIPOXEN has developed a proprietary [***] based on a [***]

WHEREAS, BAXTER and LIPOXEN desire to enter into collaborative technology project(s) to [***] of proteins and molecules in the FIELD, including [***] using the application of [***] directly to [***] or by the application of [***] to [***] as a [***]

WHEREAS, BAXTER desires to [***] with LIPOXEN in developing such CONJUGATES and DELIVERY AGENTS in the FIELD and to provide BAXTER with an exclusive license to certain products in the FIELD developed in the course of this AGREEMENT; and

WHEREAS, BAXTER shall bear all costs associated with the research and development of POTENTIAL PRODUCTS, and shall have ultimate control over all product development decisions;

NOW, THEREFORE, in consideration of the foregoing and the covenants and promises contained in this AGREEMENT, in accordance with and subject to the terms and conditions specified below, the PARTIES agree as follows:

AGREEMENT

1. **Definitions**

1.1 "ACCEPTANCE DATE" means the date upon which BAXTER accepts or is deemed to accept the FINAL REPORT or the REVISED FINAL REPORT which shall be determined in accordance with Section 2.2.

1.2 "AFFILIATE" means, with respect to any person or entity, any other person or entity that directly or indirectly controls, is controlled by, or is under common control with, such person or entity.

1.3 "BANKRUPTCY EVENT has the meaning set forth in Section 15.5.

1.4 "BAXTER CORE TECHNOLOGY" means the following methods, compositions and/or technology which has been developed by BAXTER as of the Effective Date:

(i) [***] including the [***]

(ii) [***] including the identification of [***] the [***] or [***] which [***] is bound and the resulting [***]

(iii) methods of [***] a THERAPEUTIC AGENT and the COMMERCIAL PRODUCT(s);

(iv) methods of [***] THERAPEUTIC AGENTS, including all methods of: (a) [***] AGENT is expressed, (b) [***] the THERAPEUTIC AGENT from the [***] and (c) [***] the THERAPEUTIC AGENT;

(v) methods of [***] the COMMERCIAL PRODUCTS including [***] of such COMMERCIAL PRODUCTS into a pharmaceutical compound; and/or

(vi) the [***] disclosed in the BAXTER [***]

1.5 "BAXTER CORE TECHNOLOGY INVENTIONS" has the meaning set forth in Section 13.5.

1.6 "BAXTER INDEMNITEE" has the meaning set forth in Section 12.1.1.

1.7 "BAXTER KNOW-HOW" means all KNOW-HOW CONTROLLED by BAXTER that is reasonably necessary for LIPOXEN in connection with LIPOXEN'S performance of its obligations under this AGREEMENT. BAXTER PATENT RIGHTS are excluded from the definition of BAXTER KNOW-HOW.

1.8 "BAXTER PATENT RIGHTS" means all PATENTS and PATENT APPLICATIONS CONTROLLED by BAXTER that are necessary for LIPOXEN in connection with LIPOXEN'S performance of its obligations under this AGREEMENT.

1.9 "BAXTER [***] means the PATENT APPLICATION which has been disclosed to LIPOXEN and has BAXTER internal docket number ERR-6203(3) PROV.

1.10 "BLA" means a Biologics License Application filed with the FDA pursuant to 21 C.F.R. § 601.2 et seq., or any foreign equivalent filed with the regulatory authorities in a country or territory to obtain MARKETING AUTHORIZATION for COMMERCIAL PRODUCT(S) in such country or territory.

1.11 "CLAIMS" has the meaning set forth in Section 12.1.1.

1.12 "COMMERCIAL PRODUCT(S)" means one or more POTENTIAL PRODUCTS that have successfully completed PHASE 3 CLINICAL TRIALS and have

received MARKETING AUTHORIZATION in any territory in the world, which BAXTER, its SUBLICENSEES and/or their respective AFFILIATES market and/or sell.

1.13 "COMPETITIVE BUSINESS" means participating in the research, development, marketing, selling or distributing of any product in the FIELD.

1.14 "CONFIDENTIAL INFORMATION" has the meaning set forth in Section 10.2.

1.15 "CONJUGATE(S)" means [***] of a DELIVERY AGENT to a therapeutic agent (including a THERAPEUTIC AGENT).

1.16 "CONTINUATION NOTICE" has the meaning set forth in Section 2.3

1.17 "CONTROL(LED)" means the ability to grant a license or sublicense as provided for herein without violating the terms of any agreement with any THIRD PARTY, and for the purpose of defining "KNOW-HOW" means that which falls within any of the exclusions from confidentiality set forth in Section 10.2(i) and (ii).

1.18 "DELIVERY AGENT" means [***] and/or a [***] including the SELECTED DELIVERY AGENTS.

1.19 "DISCLOSING PARTY" means the PARTY disclosing CONFIDENTIAL INFORMATION to the other PARTY hereunder.

1.20 "DOLLAR(S)" means United States dollars.

1.21 "EMEA" means the European Medicines Agency, and any successor agency thereto, having the administrative authority to regulate the marketing of human pharmaceutical products, biological therapeutic products and delivery systems in the European Union.

1.22 [***] means a [***] including the [***] protein, [***] and any recombinantly produced equivalents thereof, and any derivatives, mutations, deletions or substitutions thereto.

1.23 "FDA" means the United States Food and Drug Administration, or any successor entity that may be established hereafter which has substantially the same authority or responsibility currently vested in the United States Food and Drug Administration.

1.24 "FIELD" means any biologic or pharmaceutical agent used to [***] including the [***] disorders such as [***] disease, but excluding, for the avoidance of doubt, any biologic or pharmaceutical agent used to [***]

1.25 "FINAL REPORT" has the meaning set forth in Section 2.2.

1.26 "FIRST COMMERCIAL SALE" means, with respect to each COMMERCIAL PRODUCT, the first sale by BAXTER, its SUBLICENSEE or their respective AFFILIATES to a THIRD PARTY following receipt of MARKETING AUTHORIZATION in the country of sale.

1.27 "FTE" means the equivalent of an employee working [***] labor hours per year.

1.28 "FTE Rate" means [***] per year.

1.29 "INVENTIONS" means any and all ideas, concepts, methods, procedures, processes, improvements, inventions and discoveries, whether or not patentable, that are conceived or made in the course of the performance of activities conducted in connection with this AGREEMENT including the development or manufacture of a POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S).

1.30 "JOINT INVENTION" has the meaning set forth in Section 13.3.

1.31 "JOINT PATENT APPLICATIONS" has the meaning set forth in Section 13.7.

1.32 "KNOW-HOW" means all technical, scientific and other know-how, data, materials, information, trade secrets, ideas, formulae, inventions, discoveries, processes, machines, compositions of matter, improvements, protocols,

techniques, works of authorship, and results of experimentation and testing (whether or not patentable) in written, electronic, oral or any other form that does not fall within any of the exclusions from confidentiality set forth in Section 10.2(i) and (ii).

1.33 "LAW(S)" means any local, state or federal rule, regulation, statute or law in any jurisdiction relevant to the activities undertaken pursuant to this AGREEMENT or applicable to either of the PARTIES with respect to any matters set forth herein.

1.34 "LICENSE COMMENCEMENT DATE" means the date upon which Lipoxen [***] milestone payment due in accordance with Section 2.3.

1.35 "LIPOXEN CORE TECHNOLOGY" means the following methods, compositions or technology which has been developed by LIPOXEN as of the EFFECTIVE DATE: (i) [***] (including a SELECTED DELIVERY AGENT); (ii) [***] (including a SELECTED DELIVERY AGENT) by themselves or in combination, including the [***] (including a SELECTED DELIVERY AGENT) to [***] (iii) [***] DELIVERY AGENTS (including SELECTED DELIVERY AGENTS); (iv) [***] DELIVERY AGENTS (including SELECTED DELIVERY AGENTS) to or [***] DELIVERY AGENTS (including SELECTED DELIVERY AGENTS) [***] (v) [***] or [***] or more DELIVERY AGENTS (including SELECTED DELIVERY AGENTS) to or [***] DELIVERY AGENTS (including SELECTED DELIVERY AGENTS) [***] (vi) [***] (2) or more DELIVERY AGENTS (including SELECTED DELIVERY AGENTS) in [***] and (vii) the technology described in the LIPOXEN PATENT RIGHTS. For purposes of clarification, the LIPOXEN CORE TECHNOLOGY [***] DELIVERY AGENTS with [***]

1.36 “LIPOXEN CORE TECHNOLOGY INVENTIONS” has the meaning set forth in Section 13.4.

1.37 “LIPOXEN INDEMNITEE” has the meaning set forth in Section 12.1.2.

1.38 “LIPOXEN KNOW-HOW” means all KNOW-HOW CONTROLLED by LIPOXEN that pertains to DELIVERY AGENTS [***] POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) or [***] BAXTER [***] its obligations or the exercise of its rights under this AGREEMENT. LIPOXEN PATENT RIGHTS are excluded from the definition of LIPOXEN KNOW-HOW.

1.39 “LIPOXEN PATENT RIGHTS” means all of the PATENTS and PATENT APPLICATIONS CONTROLLED by LIPOXEN which (i) pertain to [***] composition, manufacture, sale, or import of POTENTIAL PRODUCTS or COMMERCIAL PRODUCTS, and (ii) [***] make, have made, use, sell, have sold and import POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) pursuant to the license set forth in Section 3.1; including those contained in Schedule V of this AGREEMENT.

1.40 “LIPOXEN LICENSED TECHNOLOGY” means, collectively, the LIPOXEN PATENT RIGHTS and LIPOXEN KNOW-HOW.

1.41 “MANUFACTURING TECHNOLOGY” means the PATENTS and KNOW HOW CONTROLLED by LIPOXEN at the date of any technology transfer pursuant to Section 4.3 which relate to the Selected Delivery Agents supplied to BAXTER by LIPOXEN or, in the case of a transfer pursuant to Section 4.1, relate to the Selected Delivery Agent that Lipoxen could not supply.

1.42 “MARKETING AUTHORIZATION” means the requisite governmental approval for the marketing and sale of each COMMERCIAL PRODUCT in a given country.

1.43 “MILESTONE PAYMENTS” and “MILESTONE EVENTS” means the milestone payments and milestone events, all as set forth in Section 2.3 and Schedule III.

1.44 "NET SALES" means the amount invoiced by BAXTER, its SUBLICENSEES or their respective AFFILIATES for the sale of each COMMERCIAL PRODUCT to THIRD PARTIES. NET SALES shall be reduced by the following provided that the reductions can be supported by written evidence (which evidence is not required to be shown on any invoice):

(i) customary trade and quantity discounts actually allowed and taken;

(ii) allowances actually given for returned COMMERCIAL PRODUCT(S);

(iii) shipping, freight and insurance;

(iv) allowances or rebates actually given pursuant to Federal, State and/or government-mandated programs which require a manufacture/distributor rebate, including Medicare and Medicaid; and

(v) value added or import/export tax, sales, use or turnover taxes, excise taxes and customs duties.

1.45 "NON-DISCLOSURE AGREEMENT" means that agreement entered into between the PARTIES on December 28, 2004 providing for confidential treatment of the PARTIES' information.

1.46 "OPTION EXERCISE DATE" has the meaning set forth in Section 2.3.

1.47 "PATENT" means any patent including any extension, substitution, registration, confirmation, reissue, supplemental protection certificate, re-examination or renewal thereof (and in each case any foreign counterpart thereto).

1.48 "PATENT APPLICATION" means an application for letters patent, including a provisional application, converted provisional application, continuation application, a continued prosecution application, a continuation-in-part application, a divisional application, a re-examination application, and a reissue application (and in each case any foreign counterpart thereto).

1.49 "PHASE 1 CLINICAL TRIAL" means a study in humans, conducted in accordance with 21 C.F.R. § 312.21(a) (or the equivalent LAWS and regulations in jurisdictions outside the United States).

1.50 “PHASE 2 CLINICAL TRIAL” means a controlled clinical trial, conducted in accordance with 21 C.F.R. § 312.21(b) (or the equivalent LAWS and regulations in jurisdictions outside the United States).

1.51 “PHASE 3 CLINICAL TRIAL,” means a controlled or uncontrolled clinical trial, conducted in accordance with § 21 C.F.R. 312.21(c) (or the equivalent LAWS and regulations in jurisdictions outside the United States).

1.52 “POLYSIALIC ACID” means any substance containing one or more sialic acid residue including: (a) linear polymers or oligomers; (b) branched polymers or oligomers; (c) the alpha-2,8-linked homopolymer of sialic acid that comprises the capsular polysaccharide of (i) E. coli strain K1, and (ii) the group-B meningococci; and (d) the alternating alpha-2,8/alpha-2-9 linked polymer of E. coli strain K92.

1.53 “POTENTIAL PRODUCT” means the chemical entity resulting from the covalent or non-covalent attachment of any DELIVERY AGENT to any THERAPEUTIC AGENT.

1.54 “QUALITY AGREEMENT” means the quality agreement which shall be agreed to by the PARTIES in good faith no later than the commencement of the first PHASE 1 CLINICAL TRIAL relating to a POTENTIAL PRODUCT.

1.55 “QUARTER” means the calendar quarterly periods ending March 31, June 30, September 30 and December 31.

1.56 “RECIPIENT means the PARTY receiving CONFIDENTIAL INFORMATION hereunder.

1.57 “RESEARCH COMMITTEE” means the committee described in Section 2.6.

1.58 “RESEARCH MIDPOINT” means the date upon which BAXTER receives the rFVIII samples pursuant to the RESEARCH PLAN, as specified in Section fourteen (14) of the Research Plan.

1.59 “RESEARCH PLAN” means the PARTIES’ respective activities and responsibilities as set forth in the RESEARCH PLAN attached hereto as Schedule I.

1.60 “RESPONSIBLE PARTY” has the meaning set forth in Section 13.7.

1.61 “ROYALTY RATE” means, for each calendar year:

[***] which range [***]

[***] which [***]

[***] which [***] to [***]

[***] which [***] and [***]

1.62 “SELECTED DELIVERY AGENT” means a DELIVERY AGENT that is attached to a THERAPEUTIC AGENT for a POTENTIAL PRODUCT, in accordance with a selection made by the RESEARCH COMMITTEE.

1.63 “SOLE INVENTION” has the meaning set forth in Section 13.3.

1.64 “SPECIFICATIONS” means the specifications for a DELIVERY AGENT to be used in POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S), that are agreed in writing by the RESEARCH COMMITTEE and which will be set forth in the QUALITY AGREEMENT.

1.65 “STAGE I” means the period of implementing the initial RESEARCH PLAN, commencing upon the EFFECTIVE DATE and ending upon the ACCEPTANCE DATE.

1.66 “SUBLICENSE AGREEMENT” means any agreement between BAXTER and a SUBLICENSEE relating to this AGREEMENT.

1.67 “SUBLICENSEE” means any person or entity, including AFFILIATES, to which BAXTER grants a sublicense (i) to research and/or develop POTENTIAL

PRODUCTS or COMMERCIAL PRODUCT(S), or (ii) to make, have made, use, sell, have sold and/or import POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) (which for the purposes hereof will include the right to distribute, market or promote).

1.68 "SUPPLY AGREEMENT" means the supply agreement to be entered into by the PARTIES in accordance with Section 4.1 and the other terms of this AGREEMENT.

1.69 [***]

1.70 "TERM" has the meaning set forth in Section 15.1.

1.71 "THERAPEUTIC AGENT" means [***] or [***] suitable for use within the FIELD, including any [***] having substantially equivalent biological activity to [***]

1.72 THIRD PARTY" means any entity other than LIPOXEN, BAXTER, a SUBLICENSEE of BAXTER or their respective AFFILIATES.

1.73 "VALID PATENT CLAIM" means either: (a) a claim of an issued and unexpired PATENT which is owned or CONTROLLED by LIPOXEN or jointly by the PARTIES and has not (i) expired or been canceled, (ii) been declared invalid by an unreversed and unappealable decision of a court or other appropriate body of competent jurisdiction, (iii) been admitted to be invalid or unenforceable through reissue, disclaimer, or otherwise, or (iv) been abandoned; or (b) a claim filed and kept pending in good faith that is included in a PATENT APPLICATION which is owned or CONTROLLED by LIPOXEN or jointly by the PARTIES.

1.74 [***] means the naturally occurring or recombinantly produced [***] also referred to as [***] and including any derivatives, mutations, deletions or substitutions thereto having the same functionality as [***] or the capability of [***] includes any fraction of [***] or peptide portion thereof having all or some of the functionality as naturally occurring in [***] and in particular the [***]

2. **Research and Development Activities**

2.1 In General. BAXTER shall provide LIPOXEN with [***] and [***] molecules to use in developing DELIVERY AGENTS and POTENTIAL PRODUCTS to be utilized by BAXTER in its research and development activities to [***]. BAXTER shall as soon as possible after the EFFECTIVE DATE provide all of the BAXTER KNOW-HOW to LIPOXEN. At BAXTER's sole discretion, BAXTER may or may not provide to LIPOXEN data compiled by BAXTER in relation to the [***] data relating to the [***] the [***] of [***] (and protocols on the various techniques used), [***] protocols, [***] protocols, [***] (including [***]) and publications (patent and research papers).

2.2 STAGE I. During STAGE I of the research and development phase of this AGREEMENT, LIPOXEN will conduct the research and development activities as set forth in the RESEARCH PLAN, [***] BAXTER [***] LIPOXEN for [***] directly incurred and solely associated with carrying out the RESEARCH PLAN. For clarity, BAXTER shall [***] LIPOXEN [***] worked, which [***] to this AGREEMENT by (ii) the [***] Baxter shall also [***] LIPOXEN for any [***] directly and solely [***] in carrying out the RESEARCH PLAN. At BAXTER'S request, LIPOXEN shall [***] to BAXTER, together [***] which BAXTER [***], pursuant to Section 9.2. The [***] are set forth in Schedule II of this AGREEMENT. LIPOXEN's [***] without BAXTER'S prior written consent. The PARTIES agree that BAXTER shall [***] LIPOXEN for its work on the RESEARCH PLAN [***] with the [***] of this AGREMEENT.

Provided that neither PARTY has terminated this AGREEMENT in accordance with Section 15, on completion of the RESEARCH PLAN, LIPOXEN shall deliver

to BAXTER a [***] by LIPOXEN pursuant to the RESEARCH PLAN and [***] to production, scale-up [***] and characterization of [***] POTENTIAL PRODUCTS, in accordance with the RESEARCH PLAN. LIPOXEN shall [***] of POTENTIAL PRODUCTS in [***] as described in the RESEARCH PLAN to [***] at BAXTER in [***]. The PARTIES shall own the [***], in accordance with the provisions set out in Section 13. BAXTER's [***] shall not be unreasonably withheld or delayed. BAXTER shall notify LIPOXEN in writing of any [***] it has to [***] in response to which LIPOXEN shall be [***] (the [***]) to BAXTER. BAXTER shall be deemed to accept [***] or the [***] (as the case may be) unless LIPOXEN receives [***] from BAXTER within ten (10) days of delivery of the [***] or the [***] (as the case may be) to BAXTER. Either PARTY shall be entitled to terminate this AGREEMENT on immediate written notice to the other PARTY if BAXTER has [***] or the [***] within [***] of the date upon which the [***] was first delivered to BAXTER.

Subject to the restrictions on the RESEARCH COMMITTEE set out in Section 2.6, the RESEARCH COMMITTEE may make reasonable modifications to the RESEARCH PLAN and the [***] provided that:- (a) any modification does not materially increase the commitment required by LIPOXEN pursuant to this AGREEMENT; and (b) BAXTER will agree in writing to [***] by LIPOXEN to implement any such modifications.

In no event is BAXTER committed or obligated to make [***] during STAGE I.

2.3 Option. After the ACCEPTANCE DATE, this AGREEMENT [***] unless BAXTER [***] (at its sole discretion) [***] the collaboration pursuant to the terms of this AGREEMENT. BAXTER must notify LIPOXEN in writing of [***] with this collaboration (referred to below as the [***]) within [***] days of the ACCEPTANCE DATE or this AGREEMENT shall be deemed automatically terminated.

If Baxter [***] continue the collaboration after completion of STAGE I, then the PARTIES shall, subject to the terms set out in the paragraph below, agree on a revised RESEARCH PLAN which shall be recorded in writing and signed by the authorized representatives of the PARTIES within [***] of such [***]. LIPOXEN shall be entitled to compensation for any work carried out pursuant to the revised RESEARCH PLAN [***] and [***] as are set out in Section 2.2. Upon the exercise of [***] BAXTER shall [***] to LIPOXEN a [***] of signing the revised RESEARCH PLAN. Following the [***] BAXTER shall be committed to [***] referenced in Schedule III upon the occurrence of the events set forth therein (subject to [***] in accordance with Schedule IV). If the PARTIES cannot agree a revised RESEARCH PLAN within [***] of receipt by LIPOXEN of the [***] this AGREEMENT shall be deemed automatically terminated.

If a government approval, under the Hart-Scott-Rodino Act of 1976 is legally required before the license set out in Section 3.1 may commence, then:

(a) BAXTER shall be responsible [***] for applying for any such approval;

(b) the PARTIES shall make commercially reasonable efforts to obtain any such approval;

(c) the commencement of the license shall be conditional upon the obtaining of such approval and the [***] shall be deemed to be the date upon which any such approval is obtained;

(d) the PARTIES shall be bound by the obligation to agree, record in writing and sign the revised RESEARCH PLAN within the [***] set out above but, once agreed and signed, implementation of the revised RESEARCH PLAN shall be conditional upon the obtaining of such approval; and

(e) [***] for payment of the [***] pursuant to this Section 2.3 shall commence on the date upon which such approval is obtained.

LIPOXEN shall use commercially reasonable efforts to collaborate and cooperate with BAXTER in researching and developing POTENTIAL PRODUCTS and DELIVERY AGENTS to be utilized in developing POTENTIAL PRODUCTS, pursuant to the RESEARCH PLAN and as directed by the RESEARCH COMMITTEE. Initially, LIPOXEN [***] DELIVERY AGENTS to THERAPEUTIC AGENTS, and shall provide BAXTER with the resulting POTENTIAL PRODUCTS. After the RESEARCH COMMITTEE selects one or more POTENTIAL PRODUCTS to develop, LIPOXEN shall from the [***] to enable BAXTER to [***] such POTENTIAL PRODUCTS in accordance with Section 2.5 of this AGREEMENT (which transfer will be completed after the LICENSE COMMENCEMENT DATE), and thereafter provide BAXTER with the specific SELECTED DELIVERY AGENTS [***] POTENTIAL PRODUCTS in accordance with the terms of the SUPPLY AGREEMENT.

BAXTER is [***] of POTENTIAL PRODUCTS after receipt of the POTENTIAL PRODUCTS and DELIVERY AGENTS, in accordance with the RESEARCH PLAN, and for all costs associated therewith.

For clarity, BAXTER [***] POTENTIAL PRODUCTS; [***] POTENTIAL PRODUCT into

clinical trials; and [***] POTENTIAL PRODUCT without [***] except as specifically set forth in Section 8.1.1. During such clinical trials, or in the event of the cancellation or failure of any such clinical trials, LIPOXEN shall continue to provide SELECTED DELIVERY AGENTS throughout the TERM of this AGREEMENT, at BAXTER's request, in accordance with the terms of the SUPPLY AGREEMENT.

2.4 Marketing Authorization. As between the PARTIES, BAXTER shall be [***] under the RESEARCH PLAN, and for the [***] of applications for any BLA or MARKETING AUTHORIZATIONS for each COMMERCIAL PRODUCT. BAXTER shall have the [***] which indications and in which countries within the TERRITORY such MARKETING AUTHORIZATIONS will be pursued.

2.5 Selection of POTENTIAL PRODUCTS and Technology Transfer. The RESEARCH COMMITTEE shall select POTENTIAL PRODUCT(S) and, following such selection, LIPOXEN shall from the [***] to BAXTER (which transfer will be completed after the LICENSE COMMENCEMENT DATE) technology for the purposes of enabling BAXTER to form the POTENTIAL PRODUCTS [***] SELECTED DELIVERY AGENTS to THERAPEUTIC AGENTS [***]. In connection with this technology transfer, LIPOXEN will provide BAXTER with a description of the [***] POTENTIAL PRODUCTS, and will [***] and [***] at the [***] used in the RESEARCH PLAN. Such [***] will be deemed successfully completed when LIPOXEN's [***] BAXTER, to BAXTER'S satisfaction. The [***] at LIPOXEN'S premises. LIPOXEN shall provide BAXTER with [***] to effect the [***] but thereafter BAXTER shall [***] LIPOXEN for all [***] and [***] LIPOXEN [***] as a result of the [***] on the same terms as are set out in Section 2.2.

2.6 RESEARCH COMMITTEE. To facilitate communication between the PARTIES and the implementation of the RESEARCH PLAN during this AGREEMENT, the PARTIES shall appoint a RESEARCH COMMITTEE consisting of [***] nominated by LIPOXEN and [***] nominated by BAXTER. The initial representatives shall be set forth in writing within [***] after the EFFECTIVE DATE. Each PARTY may replace its representatives by prior written notice to the other PARTY. Employees of each PARTY who are not on the RESEARCH COMMITTEE may attend meetings of the RESEARCH COMMITTEE, as required to further the research, development and commercialization of POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS.

The RESEARCH COMMITTEE shall have the authority to: make decisions relating to the modification to, and implementation of, the RESEARCH PLAN; and monitor the day-to-day research and development activities. The RESEARCH COMMITTEE shall have such other responsibilities as set forth herein and as the PARTIES may agree from time to time.

The RESEARCH COMMITTEE shall meet at such times and places, in person or by telephone conferencing, web-conferencing, video conferencing or other electronic communication, as it shall determine to carry out its responsibilities; provided, that an initial meeting of the RESEARCH COMMITTEE by telephone conference call shall take place [***] after the EFFECTIVE DATE and thereafter LIPOXEN shall update BAXTER on its progress with the RESEARCH PLAN via meetings of the RESEARCH COMMITTEE to be held no less than [***] in a manner to be mutually agreed by parties. Decisions of the RESEARCH COMMITTEE must be unanimous with representatives of LIPOXEN having one collective vote and representatives of BAXTER having one collective vote. If a dispute arises regarding matters within the scope of responsibilities of the RESEARCH COMMITTEE, and the RESEARCH COMMITTEE fails to reach a unanimous decision on its resolution [***] of when the dispute was presented to the RESEARCH COMMITTEE, then [***] have the deciding vote.

For purposes of clarification, the RESEARCH COMMITTEE shall have no authority to: (a) amend the terms of this AGREEMENT or waive any rights that Lipoxen may otherwise have pursuant to the AGREEMENT or otherwise; (b) allocate the ownership of any intellectual property rights or the PARTIES' rights to apply for patents pursuant to Section 13; or (c) require LIPOXEN to deliver or supply a DELIVERY AGENT or comply with a SPECIFICATION which LIPOXEN has not previously agreed in writing.

3. **Licenses to LIPOXEN LICENSED TECHNOLOGY and BAXTER Technology**

3.1 License to BAXTER. Subject to the terms and conditions of this AGREEMENT, from the [***], LIPOXEN [***] BAXTER and its AFFILIATES a [***] with the right to [***] under the LIPOXEN LICENSED TECHNOLOGY to [***] POTENTIAL PRODUCTS and COMMERCIAL PRODUCT(S) in the FIELD.

3.2 Terms of Sublicense. The terms of each sublicense under the license granted to BAXTER in [***] of this AGREEMENT shall be recorded in writing. The SUBLICENSE AGREEMENT shall provide that: (a) any SUBLICENSEE shall be subject to the terms and conditions of this AGREEMENT, (b) the SUBLICENSE AGREEMENT shall terminate automatically on the termination of this AGREEMENT for any reason, (c) further sub-licensing and sub-contracting by the SUBLICENSEE without the prior written consent of LIPOXEN is not permitted. BAXTER shall ensure that each SUBLICENSEE complies fully at all times with the provisions of its SUBLICENSE AGREEMENT and shall be responsible for any breach of the SUBLICENSE AGREEMENT by the SUBLICENSEE, as if the breach had been that of BAXTER under this AGREEMENT. To the extent permitted, BAXTER shall promptly provide LIPOXEN in writing with the identity of any SUBLICENSEE and details of the scope of the SUBLICENSE AGREEMENT.

3.3 No Implied Rights or Licenses. Neither PARTY grants to the other any rights or licenses, including to any BAXTER CORE TECHNOLOGY or LIPOXEN CORE TECHNOLOGY or other intellectual property rights, whether by implication,

estoppel or otherwise, except to the extent expressly provided for under this AGREEMENT. Other than as expressly provided for herein, BAXTER [***] SELECTED DELIVERY AGENTS, nor may BAXTER [***] (by way of example but not limitation, [***] of SELECTED DELIVERY AGENTS.

3.4 License to LIPOXEN. BAXTER [***] to LIPOXEN [***] under BAXTER KNOW-HOW and BAXTER PATENT RIGHTS for the [***] LIPOXEN's [***] under this AGREEMENT, including the RESEARCH PLAN.

3.5 Mutual Covenant. Each PARTY covenants and agrees that it and its AFFILIATES shall not use or practice the intellectual property rights licensed under this AGREEMENT except as expressly permitted by this AGREEMENT. Any use or practice of the intellectual property rights licensed under this AGREEMENT except as expressly permitted by this AGREEMENT that results in material harm to the other PARTY shall [***] of this AGREEMENT. Each PARTY covenants and agrees to cease any non-permitted use and to take all actions [***] PARTY any inventions made through use or practice of such PARTY'S intellectual property rights [***] granted hereunder.

3.6 BAXTER [***] are the only PATENT or PATENT APPLICATIONS filed by or granted to BAXTER as at the EFFECTIVE DATE that relates [***].

4. **Manufacture and Supply of SELECTED DELIVERY AGENTS**

4.1 After successful completion of STAGE I and BAXTER'S decision to [***] to continue the collaboration pursuant to the terms of this AGREEMENT, the PARTIES shall enter into a separate, written supply agreement pursuant to which LIPOXEN shall supply SELECTED DELIVERY AGENTS in accordance with a QUALITY AGREEMENT also to be agreed, on [***]

as set forth in Section 4.2. LIPOXEN shall not be obliged to supply to BAXTER pursuant to this AGREEMENT, the SUPPLY AGREEMENT or otherwise any SELECTED DELIVERY AGENT other than [***] that comprises the [***] DELIVERY AGENT"); provided that if BAXTER has a scientific and commercially reasonable need for using a SELECTED DELIVERY AGENT other than [***] DELIVERY AGENT and LIPOXEN cannot supply the SELECTED DELIVERY AGENT, BAXTER may invoke its MANUFACTURING RIGHTS. The SUPPLY AGREEMENT will [***] of this AGREEMENT and [***] for a medical or pharmaceutical products contract manufacturing agreement. The SUPPLY AGREEMENT will provide that LIPOXEN [***] under any such supply agreement; provided that (a) such sub-contract shall include [***] the QUALITY AGREEMENT and (b) if LIPOXEN [***] for the SELECTED DELIVERY AGENTS, BAXTER shall have the [***] to (i) [***] from LIPOXEN's [***] and (ii) [***] facilities solely for the [***] in accordance with the QUALITY AGREEMENT including the fulfillment of any FDA, EMEA or other regulatory requirements (and LIPOXEN [***] that BAXTER shall have [***] in the agreement with its supplier).

4.2 The SUPPLY AGREEMENT will provide that for so long as LIPOXEN is supplying BAXTER with SELECTED DELIVERY AGENTS, BAXTER [***] LIPOXEN [***] SELECTED DELIVERY AGENT. Such [***] be [***] by LIPOXEN and associated with procuring the SELECTED DELIVERY AGENT (in the event LIPOXEN uses a THIRD PARTY contract manufacturer), including [***] payable thereon, or its [***] (in the event LIPOXEN [***] itself). The PARTIES shall use their reasonable efforts to [***] in the SUPPLY AGREEMENT relating to [***] of the DELIVERY AGENTS provided that BAXTER shall [***] with respect to such DELIVERY AGENTS (as between BAXTER and LIPOXEN); and LIPOXEN [***]

efforts to require all suppliers to consent to such terms. “MANUFACTURING COST” means [***] in the manufacture of SELECTED DELIVERY AGENT [***] which shall be [***] costs shall include:

A. [***] costs:

1. The [***] of raw materials, process consumables (i.e., resins, membranes, etc.), containers, container components, packaging, labels and other printed materials used in production;

2. Scrap of raw materials, work in progress and finished goods ([***] of a [***] for normal wastage limits);

B. [***] include [***] for personnel directly involved in the manufacturing process; and

C. [***] include [***] provided by THIRD PARTIES for the manufacture of SELECTED DELIVERY AGENT or any component thereof (e.g., [***].

D. Costs of freight and insurance; and

E. Any value added tax, sales or turnover taxes, excise taxes and customs duties.

MANUFACTURING COST will be calculated in accordance with generally accepted accounting principles (“GAAP”) applied on a consistent basis in the country of manufacture. The “cost” for purchased materials or services will include the [***] the benefit of any [***] or other [***] such as [***] that may be applicable to such purchases.

In addition to the foregoing, the SUPPLY AGREEMENT will provide that LIPOXEN will notify BAXTER of its [***] before the start of BAXTER'S calendar year and such [***] shall then apply throughout the following [***] of supply of SELECTED DELIVERY AGENT. At the end of [***] LIPOXEN will [***] such that if the actual MANUFACTURING COST is [***] then BAXTER [***] to LIPOXEN, or LIPOXEN [***] BAXTER (as the case may be), the [***] between the [***] and the [***] MANUFACTURING COST for all SELECTED DELIVERY AGENT supplied in the applicable calendar year.

BAXTER shall be entitled to audit such MANUFACTURING COSTS pursuant to Section 9.2.

4.3 At any time after completion of the first PHASE 2 CLINICAL TRIAL in relation to a POTENTIAL PRODUCT or pursuant to Section 4.1, if BAXTER notifies LIPOXEN in writing that [***] the SELECTED DELIVERY AGENTS (either directly or indirectly by [***] on its behalf by a THIRD PARTY [***], LIPOXEN [***] to BAXTER or to BAXTER'S designated [***] the MANUFACTURING TECHNOLOGY on a [***] for LIPOXEN equivalent to that set out in Section 2.2 for Stage I, for the purposes of enabling BAXTER or BAXTER'S [***], as the case may be, to [***] the SELECTED DELIVERY AGENT and shall, for the TERM of this AGREEMENT, [***] BAXTER or BAXTER'S [***] use the MANUFACTURING TECHNOLOGY for the purposes of [***] SELECTED DELIVERY AGENTS for [***] of POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS in the FIELD. For the avoidance of doubt, the [***] pursuant to this Section 4.3 shall not entitle BAXTER or its [***] to [***] SELECTED DELIVERY AGENTS to THIRD PARTIES or to use SELECTED DELIVERY AGENTS for any use other than is expressly set out in this Section 4.3. This [***] will include [***] the SELECTED DELIVERY AGENT. LIPOXEN will assist in the [***] will be deemed successfully completed when

LIPOXEN's results are successfully reproduced by BAXTER or BAXTER'S [***] as the case may be. BAXTER'S only remedy if it is unable to successfully reproduce LIPOXEN'S results is to require LIPOXEN to continue to supply SELECTED DELIVERY AGENTS until such time as the [***] successful. LIPOXEN shall notify BAXTER of, and provide BAXTER with [***] to the MANUFACTURING TECHNOLOGY (if any) developed after the date of such technology transfer.

5. **SPECIFICATIONS and Manufacturing Warranty for SELECTED DELIVERY AGENTS**

5.1 Specifications. The SUPPLY AGREEMENT will provide that for so long as LIPOXEN is supplying DELIVERY AGENTS, the SPECIFICATIONS for DELIVERY AGENT CANDIDATES and SELECTED DELIVERY AGENTS to be supplied by LIPOXEN will be agreed to by the PARTIES and set forth in the QUALITY AGREEMENT. Any modifications of the SPECIFICATIONS shall require prior written approval of BAXTER and LIPOXEN, not to be unreasonably withheld or delayed. BAXTER [***] LIPOXEN for its [***] associated with implementing any agreed upon modifications to the SPECIFICATIONS ([***] for STAGE I), [***] in MANUFACTURING COSTS. Notwithstanding the foregoing, LIPOXEN shall be responsible for [***] associated with implementing any modifications to the SPECIFICATIONS initiated by LIPOXEN that do not directly relate to the development or improvement of SELECTED DELIVERY AGENTS, including [***] MANUFACTURING COSTS.

5.2 Compliance Audits. The SUPPLY AGREEMENT will provide that for so long as LIPOXEN is supplying DELIVERY AGENTS, BAXTER [***], as set forth in the QUALITY AGREEMENT.

5.3 Warranty. LIPOXEN [***] in the SUPPLY AGREEMENT that: (a) each SELECTED DELIVERY AGENT [***] with the agreed-upon standard operating procedures (SOP), manufacturing protocols,

quality standards and testing methods for such SELECTED DELIVERY AGENT; (b) each SELECTED DELIVERY AGENT [***] chemical and biochemical composition and stability criteria as defined in the RESEARCH PLAN and/or QUALITY AGREEMENT, (c) to the knowledge of LIPOXEN, the SELECTED DELIVERY AGENT or the use thereof to make POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) will not infringe the PATENT RIGHTS of a THIRD PARTY, and (d) each shipment of SELECTED DELIVERY AGENT shall, upon delivery, be in conformity with the applicable SPECIFICATIONS.

In addition, LIPOXEN [***] of LIPOXEN, the use of the DELIVERY AGENT provided to BAXTER by LIPOXEN under this AGREEMENT to make POTENTIAL PRODUCTS or COMMERCIAL PRODUCTS for use in the FIELD will not infringe the PATENT RIGHTS of any THIRD PARTY and LIPOXEN shall promptly notify BAXTER in the event it becomes aware that the DELIVERY AGENT provided to BAXTER by LIPOXEN under this AGREEMENT to make POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) for use in the FIELD, infringes the PATENT RIGHTS of a THIRD PARTY.

6. **Exclusivity; Covenant Not to Compete**

6.1 LIPOXEN. In consideration of the [***] and other consideration set forth herein, LIPOXEN agrees during the TERM of this AGREEMENT to [***] BAXTER in the FIELD. During the TERM of this AGREEMENT, LIPOXEN [***] (whether as principal, agent, independent contractor, partner or otherwise) [***] to, or otherwise [***] in the TERRITORY. The Territory [***] (it being understood by the PARTIES hereto that the [***] because such business has been conducted by LIPOXEN [***] and the [***] may be engaged in effectively from [***]

The PARTIES specifically acknowledge and agree that the remedy at law for any breach of the foregoing shall be inadequate and that BAXTER, in addition to any other relief available to it, shall be entitled to temporary and permanent injunctive relief without the necessity of providing actual damage. In the event that the provisions of this Section 6.1 should ever be deemed to exceed the limitation provided by applicable law, then the PARTIES agree that such provisions shall be reformed to set forth the maximum limitations permitted.

Nothing set forth in this Section 6.1 [***] in the aggregate of any class of capital stock of any corporation if such stock is publicly traded and listed on any national or regional stock exchange or on the NASDAQ national market system or the NASDAQ Small Cap Market.

6.2 BAXTER. Nothing in this AGREEMENT [***] BAXTER'S [***] LIPOXEN hereby acknowledges that BAXTER is pursuing other methods and technologies (alone and in conjunction with others) to [***]

7. Quality and Complaints

7.1 Analysis. The SUPPLY AGREEMENT will provide that after BAXTER's designation [***] POTENTIAL PRODUCT or one or more SELECTED DELIVERY AGENTS, the PARTIES [***] in which to analyze shipments of SELECTED DELIVERY AGENTS and verify DELIVERY AGENT quality using methods consistent with test procedures set forth in the QUALITY AGREEMENT to be mutually agreed by the PARTIES.

7.2 Complaints Procedure. Complaints shall be handled as set forth in, and in accordance with, the QUALITY AGREEMENT.

8. Milestone Events and Payments; Royalty Payments; Royalty Reports

8.1 Milestone Payments. Provided BAXTER has [***] in Section 2.3 above, BAXTER shall make the [***] to LIPOXEN in accordance with the [***] of the [***] provided in Schedule III hereto for POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS, as the case may be (subject to the deductions set out in Section 8.2).

The [***] shall be in [***] or other [***] under this AGREEMENT. Once a MILESTONE EVENT has been reached LIPOXEN shall [***] to BAXTER for the relevant [***] (unless previously [***] under Schedule IV).

8.1.1 There shall be [***] for [***] products or [***] indications except that BAXTER shall be required to [***] an additional [***] in the event:

(i) BAXTER has entered into clinical trials for the development of a POTENTIAL PRODUCT for a specific label indication, and

(ii) BAXTER terminates such clinical trials and elects to pursue the development of this or a different POTENTIAL PRODUCT with a different label indication within the FIELD, and

(iii) the termination of the development of the POTENTIAL PRODUCT in clinical trials is not due to the failure to meet satisfactory clinical endpoints (a "CLINICAL FAILURE").

In such event, the [***] on the selection of one or more lead candidates to be developed for the new label indication. Any label indication in the same disease area shall be considered the same label indication. For example, an indication for the "[***] and an indication for "[***] shall be considered the same label indication.

For clarity, in the event BAXTER develops multiple POTENTIAL PRODUCTS with the same label indication, whether simultaneously or sequentially, whether in preclinical or clinical trials or launches multiple COMMERCIAL PRODUCTS with the same label indication, then [***]. In the event Baxter launches multiple POTENTIAL PRODUCTS with different label

indications, whether simultaneously or sequentially, whether in preclinical or clinical trials or launches multiple COMMERCIAL PRODUCTS with different label indications, then [***] In the event Baxter cancels the development of a POTENTIAL PRODUCT due to a CLINICAL FAILURE and develops another POTENTIAL PRODUCT, whether in the same or different label indication(s), then [***]

For example, if BAXTER terminates the development of a POTENTIAL PRODUCT with a targeted indication for [***] to initiating clinical trials and elects to develop a [***] POTENTIAL PRODUCT with a [***] then no additional [***].

For example, if BAXTER terminates the development of a POTENTIAL PRODUCT with a targeted indication [***] after initiating clinical trials, and there has been no CLINICAL FAILURE, and elects to develop a different POTENTIAL PRODUCT with a targeted indication of [***] then an [***] the selection of the lead candidate.

8.2 BAXTER may extend the date of the due diligence milestone event set out in Schedule IV [***] corresponding due diligence [***] as set out in Schedule IV. The [***] must be [***] by LIPOXEN on or [***] in which case the relevant [***] date shall be extended by the number of [***] set out in Schedule IV. BAXTER shall be [***] to LIPOXEN from the [***] that becomes [***] and [***] to LIPOXEN following the [***].

8.3 [***]. BAXTER [***] LIPOXEN [***] to the [***] of all COMMERCIAL PRODUCTS with the same label indication [***] where the manufacture, import, use or sale of COMMERCIAL

PRODUCT(S) is covered by a VALID PATENT CLAIM. The [***] in respect of COMMERCIAL PRODUCTS [***] where there is no VALID PATENT CLAIM covering the manufacture, use, import or sale of COMMERCIAL PRODUCT(S). BAXTER [***] POTENTIAL or COMMERCIAL PRODUCT used or sold for clinical trial purposes.

For purposes of [***] of all COMMERCIAL PRODUCTS with the same label indication shall be [***] in order to determine BAXTER's [***]. In addition and by way of example, if BAXTER were to have [***] in a given [***], the [***] Baxter pursuant to Section 8.2 would be [***] (a [***] applied to the [***] of) [***] (a [***] applied to the next [***] for [***].

8.4 Royalty Term. The obligation of BAXTER to [***] to LIPOXEN pursuant to Section 8.2 above [***] FIRST COMMERCIAL SALE of a COMMERCIAL PRODUCT in a [***]

8.4 SEPARATE COMPONENTS. If components of a COMMERCIAL PRODUCT are sold separately, the [***] of such COMMERCIAL PRODUCT shall be [***] of the COMMERCIAL PRODUCT were [***] provided that no provision of this Agreement shall be construed as requiring the [***] COMMERCIAL PRODUCT. For example, if a COMMERCIAL PRODUCT consists of [***] which is intended to be used with and to improve the [***] the [***] of such COMMERCIAL PRODUCT shall be deemed to [***] ([***] set out in the definition of [***] by BAXTER, its SUBLICENSEES and/or their respective AFFILIATES for the [***] with which such COMMERCIAL PRODUCT is intended to be used.

8.5 Reports, Exchange Rates. BAXTER shall keep LIPOXEN fully informed about the progress of its development of any and all POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS and BAXTER shall immediately notify LIPOXEN in writing as soon as any of the MILESTONE EVENTS have been reached. BAXTER shall notify LIPOXEN in writing promptly upon the FIRST COMMERCIAL SALE of each COMMERCIAL PRODUCT in each country in which BAXTER elects to pursue commercialization. Commencing upon the FIRST COMMERCIAL SALE of a COMMERCIAL PRODUCT, BAXTER shall furnish to LIPOXEN a quarterly written report (per QUARTER) showing, on a [***] according to the [***] of such COMMERCIAL PRODUCT [***] (by SKU) during the reporting period: (a) the [***] of the COMMERCIAL PRODUCT [***] during the reporting period, and the [***] there from to [***] from such [***] (b) the [***] if any, which shall have accrued hereunder based [***] of the COMMERCIAL PRODUCT; (c) the [***] if any, required by LAW to be [***] in respect of such [***]; and (d) the date of the FIRST COMMERCIAL SALE of the COMMERCIAL PRODUCT in each country during the reporting period. With [***] of COMMERCIAL PRODUCT [***] the [***] and [***] shall be expressed in the [***]. With respect to sales of COMMERCIAL PRODUCT [***] than [***] the [***], [***] and [***] shall be expressed in the report provided hereunder in the [***] of the PARTY making the sale as well [***] of the [***] and the [***] used in determining the. [***] The [***] shall be [***] using the [***] ([***]) published in [***] Western Edition, under the heading [***] on the last business day of each month during the applicable calendar quarter. Reports shall be due hereunder [***] and shall be the CONFIDENTIAL INFORMATION of BAXTER.

9. **Records; Audits; Shipment Terms; Payment Terms**

9.1 Records. During the TERM of this AGREEMENT, the PARTIES shall, and shall procure that their respective AFFILIATES and SUBLICENSEES shall, keep complete and accurate records in sufficient detail to make the reports required hereunder, to confirm their respective compliance with the provisions of this AGREEMENT, to properly [***] and to [***] of all [***] hereunder for a period of [***] after [***] are made.

9.2 Audits. Upon the written request of a PARTY, the other PARTY shall permit, and shall procure that its AFFILIATES and SUBLICENSEES shall permit, an independent certified public accounting firm of recognized national standing in the United States or Europe, selected by the requesting PARTY and reasonably acceptable to the other PARTY, at the requesting PARTY'S expense, to have access to such PARTY'S (or their AFFILIATES or SUBLICENSEES) records as may be reasonably necessary to verify (i) the accuracy of any amounts reported, actually paid or payable under this AGREEMENT for any year ending not more than [***] prior to the date of such request. Such audits may be made no more than [***], during normal business hours at reasonable times mutually agreed by the PARTIES. If such accounting firm concludes that additional amounts were owed to the requesting PARTY during such period, or if the requesting PARTY overpaid for any rates or fees for products or services, the other PARTY shall pay such additional amounts or refund such overpayment (including interest on such additional sums in accordance with Section 9.4) [***] of the date the requesting PARTY delivers to the other PARTY such accounting firm's written report so concluding. The fees charged by such accounting firm shall be paid by the requesting PARTY; provided however, that if the audit discloses that the amounts payable by such PARTY for the audited period are [***] for such period, or if the audit discloses that such PARTY has [***] the requesting PARTY for rates or fees for products or services by [***] then the requesting PARTY [***] charged by such accounting firm. Upon the expiration of [***] following the end of any calendar year, the calculation of [***] with respect to such calendar year, or rates or fees charged for such year [***] upon the PARTIES.

9.3 Invoicing; Payment Terms. The SUPPLY AGREEMENT will provide that LIPOXEN shall send invoices to BAXTER for any SELECTED DELIVERY AGENT shipped to BAXTER [***] All invoices issued under this AGREEMENT or the SUPPLY AGREEMENT shall be in [***] Except for the first RESEARCH PLAN payment set forth in Schedule II, all payments due under this AGREEMENT shall be [***] days from [***]. [***] to LIPOXEN pursuant to section 8.2 shall be [***] relating to them is due. All [***] under this Agreement shall be made [***] failing which the payee may [***] on any outstanding amount calculated on an annual basis and at a rate equivalent to the [***] ([***]) on the date such outstanding amount [***].

9.4 Payment Method. All payments by BAXTER under this AGREEMENT shall be paid in [***] and all such payments shall be [***] in [***] to such account as LIPOXEN shall designate before such payment is due. If at any time legal restrictions prevent the prompt [***] due with respect to sales of any COMMERCIAL PRODUCT in any country where such COMMERCIAL PRODUCT is sold, BAXTER shall use its reasonable efforts to ensure that [***] shall be made promptly through such lawful means or methods as BAXTER and LIPOXEN shall reasonably determine.

9.5 Taxes. All amounts due hereunder: (a) are [***] provided that LIPOXEN shall cooperate with BAXTER to [***]; and (b) shall be [***] for [***] or [***] imposed by any [***] BAXTER shall provide LIPOXEN with evidence of its [***] that may be required and will use its reasonable endeavors to assist LIPOXEN to obtain appropriate relief for the [***] in question.

10. **Confidentiality**

10.1 Termination of NON-DISCLOSURE AGREEMENT. All provisions of, rights granted and covenants made in the NON-DISCLOSURE AGREEMENT are hereby terminated and of no further force and effect and are superseded in their entirety by the provisions of, rights granted and covenants made in this AGREEMENT. The PARTIES acknowledge and agree that any disclosure made pursuant to the NON-DISCLOSURE AGREEMENT shall be governed by the terms and conditions of this Article 10.

10.2 In General. For the TERM and for a period of [***] thereafter, each PARTY shall maintain in confidence all information and materials of the other PARTY (including KNOW-HOW, samples of THERAPEUTIC AGENT, CONJUGATES, DELIVERY AGENT, SELECTED DELIVERY AGENT, POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS) disclosed or provided to it by the other PARTY (either pursuant to this AGREEMENT or the NON-DISCLOSURE AGREEMENT) including the terms and conditions (but not the existence) of this AGREEMENT. CONFIDENTIAL INFORMATION shall be identified as confidential in writing or, if disclosed verbally or by observation, summarized in writing and submitted to RECIPIENT within thirty (30) days of the oral or visual disclosure thereof (together with all embodiments thereof, the "CONFIDENTIAL INFORMATION"). CONFIDENTIAL INFORMATION shall include both BAXTER materials and LIPOXEN materials. It may also include information regarding intellectual property and confidential or proprietary information of AFFILIATES and THIRD PARTIES. The terms and conditions of this AGREEMENT and the NON-DISCLOSURE AGREEMENT, also shall be deemed CONFIDENTIAL INFORMATION of both PARTIES.

Notwithstanding the foregoing, CONFIDENTIAL INFORMATION shall not include that portion of information or materials that the RECIPIENT can demonstrate by contemporaneous written records was:

(i) known to the general public at the time of its disclosure to the RECIPIENT, or thereafter became generally known to the general public, other than as a result of actions or omissions of the RECIPIENT in violation of this AGREEMENT or the NONDISCLOSURE AGREEMENT;

(ii) disclosed to the RECIPIENT on an unrestricted basis from a source unrelated to the DISCLOSING PARTY and not known to be under a duty of confidentiality to the DISCLOSING PARTY; or

(iii) independently developed by the RECIPIENT, or known by the RECIPIENT prior the date of disclosure by the RECIPIENT, without the use of CONFIDENTIAL INFORMATION of the DISCLOSING PARTY.

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

10.3 Additional Protections. Each PARTY shall take reasonable steps to maintain the confidentiality of the CONFIDENTIAL INFORMATION of the other PARTY, which steps shall be no less protective than those that such PARTY takes to protect its own information and materials of a similar nature, but in no event less than a reasonable degree of care. Neither PARTY shall use or permit the use of any CONFIDENTIAL INFORMATION of the other PARTY except for the purposes of carrying out its obligations or exercising its rights under this AGREEMENT. All CONFIDENTIAL INFORMATION of a PARTY, including all copies and derivations thereof, is and shall remain the sole and exclusive property of the DISCLOSING PARTY and subject to the restrictions provided for herein. Neither PARTY shall disclose any CONFIDENTIAL INFORMATION of the other PARTY other than to those of its directors, officers, AFFILIATES, employees, licensors, independent contractors, SUBLICENSEES, assignees, agents and external advisors directly concerned with the carrying out of this AGREEMENT, on a strictly applied “need to know” basis. Other than as expressly permitted herein, RECIPIENT may not use CONFIDENTIAL INFORMATION of the other PARTY in applying for PATENTS or securing other intellectual property rights.

10.4 Permitted Disclosures. The obligations of Sections 10.1 and 10.2 shall not apply to the extent that RECIPIENT is required to disclose information by LAW, judicial

order by a court of competent jurisdiction, or rules of a securities exchange or requirement of a governmental agency for purposes of obtaining approval to test or market POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S), or discloses information to a patent office for the purposes of filing a PATENT as permitted in this AGREEMENT; provided that the RECIPIENT shall provide prior written notice thereof to the DISCLOSING PARTY and sufficient opportunity for the DISCLOSING PARTY to review and comment on such required disclosure and request confidential treatment thereof or a protective order therefore.

10.5 Irreparable Injury. The PARTIES acknowledge that either PARTY'S breach of this Article 10 may cause the other PARTY irreparable injury for which it may not have an adequate remedy at LAW. In the event of a breach, the nonbreaching PARTY shall be entitled to seek injunctive relief in addition to any other remedies it may have at LAW or in equity.

11. **Representations & Warranties; Limitation of Liability**

11.1 Representations. Each PARTY represents and warrants to the other that as of the EFFECTIVE DATE to the best of its knowledge and belief: (a) it has the full corporate power to enter into and perform this AGREEMENT; (b) this AGREEMENT constitutes its legal, valid and binding obligation; (c) it has sufficient legal and/or beneficial title or other rights under its intellectual property rights to grant the licenses contained in this AGREEMENT and has no knowledge of any CLAIMS challenging the ownership of such intellectual property rights; (d) each PARTY'S professional employees, officers, contractors and consultants that will be involved with this AGREEMENT and the RESEARCH PLAN, has executed an agreement that requires such employee, officer, contractor or consultant, to the extent permitted by LAW, to assign all INVENTIONS, PATENTS, and KNOW-HOW made during the course of and as a result of the performance of such PARTY'S obligations under this AGREEMENT, to such PARTY; and (e) each of such PARTY'S employees, officers, contractors and consultants are subject to confidentiality obligations.

11.2 EXCEPT FOR EITHER PARTY'S INDEMNIFICATION OBLIGATIONS, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY SPECIAL,

CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR INDIRECT DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT ON ANY THEORY OF LIABILITY, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGES.

11.3 Exclusions. All statements, representations (other than fraudulent misrepresentations), warranties, terms and conditions (whether express or implied) as to the suitability and/or usefulness of the LIPOXEN LICENSED TECHNOLOGY for any particular purpose including, without limitation, the development of POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS are hereby excluded to the maximum extent permissible by law. For purposes of clarification, nothing herein shall limit LIPOXEN's indemnification obligations.

12. **Indemnification; Insurance**

12.1 Indemnity.

12.1.1 By LIPOXEN. LIPOXEN shall [***] BAXTER, BAXTER'S SUBLICENSEES and AFFILIATES and their respective shareholders, directors, officers, employees and agents (each, a "BAXTER INDEMNITEE") [***], [***] (including [***], regardless of outcome) resulting [***] and other [***] by or on [***] of any THIRD PARTY (including any [***]) (collectively, "CLAIMS") to the extent arising from: (a) the [***] of LIPOXEN under this AGREEMENT; (b) the [***] (including [***]) of DELIVERY AGENTS by LIPOXEN (including [***] (including [***] of BAXTER or its SUBLICENSEES) or [***]); or (c) the [***] of LIPOXEN or

any THIRD PARTY [***] in [***] of its [***] under this AGREEMENT, except in each case to the extent such CLAIM arises from BAXTER'S [***] of this AGREEMENT or the [***] of a BAXTER INDEMNITEE.

12.1.2 By BAXTER. BAXTER shall [***] LIPOXEN, LIPOXEN AFFILIATES, and their respective shareholders, directors, officers, employees and agents (each, a "LIPOXEN INDEMNITEE") [***] from and [***] to the [***] from: (a) the [***] of BAXTER under this AGREEMENT; (b) the [***] (including the [***]), [***] (including any [***]), [***] or [***] of POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) (including as a [***] any [***] (including [***] or [***] of BAXTER or its SUBLICENSEES) or [***] to [***]; or (c) the [***] of BAXTER or its SUBLICENSEES or [***] THIRD PARTY [***] in the [***] of its or their [***] this AGREEMENT, except in each case to the extent [***] arises from LIPOXEN'S [***] of this AGREEMENT or the [***] a LIPOXEN INDEMNITEE.

12.2 Insurance. From the commencement of the first PHASE I CLINICAL TRIAL, each PARTY [***] including [***], in the [***], and [***] in the [***] BAXTER has the [***] Any independent insurance carriers must be [***], [***] or the [***] The PARTIES shall [***] for the TERM of this AGREEMENT, and [***]

[***] to each other upon request. If the insurance policy is [***] must be kept in place [***] after the [***] of this AGREEMENT.

12.3 Procedures. If any CLAIM covered by Section 12.1 is brought, the indemnifying PARTY'S obligations are conditional upon the following:

(i) the indemnified PARTY shall promptly notify the indemnifying PARTY in writing of such CLAIM, provided, however, the failure to provide [***] the indemnifying PARTY of any of its obligations hereunder [***] the indemnifying PARTY is [***].

(ii) the indemnifying PARTY shall assume, [***], the [***] of such CLAIM through [***] PARTY and [***] PARTY, except that those indemnified may at their [***] be represented by [***]

(iii) the indemnifying PARTY [***] and/or the [***] of such CLAIM;

(iv) those indemnified may, [***] in such [***] and if they so [***] the indemnifying PARTY and those indemnified [***]

(v) the indemnifying PARTY will have [***] of any [***], to [***] of such CLAIM (provided and only to the extent that an indemnified PARTY [***] have to [***], and an indemnified PARTY [***], enter into any [***] otherwise to [***] of the indemnifying PARTY (not to be [***] or [***]); and

(vi) the indemnifying PARTY shall [***] or [***] with respect to such CLAIM and a [***]

related [***] thereof; provided that such [***] have been [***] as the case may be, by the indemnifying PARTY in [***] the CLAIM.

13. **INVENTIONS, KNOW-HOW and PATENTS**

13.1 Existing Intellectual Property. Other than as expressly provided in this AGREEMENT, neither PARTY grants nor shall be deemed to grant any right, title or interest to the other PARTY in any PATENT, PATENT APPLICATION, KNOW-HOW or other intellectual property right CONTROLLED by such PARTY as of the EFFECTIVE DATE.

13.2 Disclosure. Each PARTY shall promptly disclose In writing to the other all INVENTIONS arising from the joint or separate activities (including any INVENTIONS first made, conceived or first reduced to practice as a result of such activities) of the PARTIES or their agents or independent contractors in connection with the performance of their obligations or activities under this AGREEMENT (including in carrying out its activities under the RESEARCH PLAN and the development or manufacture of POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S)); provided, however, that LIPOXEN shall not be obligated to disclose a SOLE INVENTION to the extent such SOLE INVENTION falls within the scope of LIPOXEN CORE TECHNOLOGY and that BAXTER shall not be obligated to disclose a SOLE INVENTION to the extent such SOLE INVENTION falls within the scope of BAXTER CORE TECHNOLOGY.

13.3 Ownership of INVENTIONS. Except as otherwise set forth in Sections 13.4 or 13.5, all INVENTIONS made solely by employees, agents or independent contractors of a PARTY during the course or performance of this AGREEMENT (including in carrying out its activities under the RESEARCH PLAN and the development or manufacture of POTENTIAL PRODUCTS or COMMERCIAL PRODUCTS) (each, a "SOLE INVENTION") shall be the exclusive property of such PARTY. Except as otherwise set forth in Sections 13.4 or 13.5, if employees, agents or independent contractors of each of LIPOXEN and BAXTER jointly develop any INVENTION during the course and in the performance of activities conducted in connection with this AGREEMENT

(including in carrying out its activities under the RESEARCH PLAN and the development or manufacture of POTENTIAL PRODUCTS or COMMERCIAL PRODUCTS) (each, a "JOINT INVENTION"), BAXTER and LIPOXEN [***] in and to such JOINT INVENTION, and, subject to the covenant not to compete in Section 6.1, shall have the right to [***] under any such JOINT INVENTION and any PATENT claiming such JOINT INVENTION [***]

For the avoidance of doubt, the determination as to whether an INVENTION has been "solely" or "jointly" made shall be based upon whether employees, agents or independent contractors of a PARTY would be or are properly named as an inventor on a corresponding PATENT APPLICATION under United States patent LAWS.

13.4 LIPOXEN CORE TECHNOLOGY INVENTIONS. Any and all rights, title and interest in and to all SOLE INVENTIONS and JOINT INVENTIONS which fall within the scope of LIPOXEN CORE TECHNOLOGY shall belong solely to LIPOXEN ("LIPOXEN CORE TECHNOLOGY INVENTIONS"). BAXTER hereby agrees to and hereby does, and shall, without additional consideration transfer and assign to LIPOXEN all of its right, title and interest in and to such LIPOXEN CORE TECHNOLOGY INVENTIONS and all intellectual property rights therein including enforcement rights, and shall require its employees, agents and independent contractors to so assign their right, title and interest therein to LIPOXEN. LIPOXEN shall be responsible, at its sole expense and discretion, and with the cooperation of BAXTER, for the filing, prosecution and maintenance of foreign and domestic PATENT APPLICATIONS and PATENTS covering such LIPOXEN CORE TECHNOLOGY INVENTIONS.

13.5 BAXTER CORE TECHNOLOGY INVENTIONS. Any and all rights, title and interest in and to all SOLE INVENTIONS and JOINT INVENTIONS which fall within the scope of BAXTER CORE TECHNOLOGY shall belong solely to BAXTER ("BAXTER CORE TECHNOLOGY INVENTIONS"). LIPOXEN hereby agrees to and hereby does, and shall, without additional consideration assign to BAXTER all of its right, title and interest in and to any BAXTER CORE

TECHNOLOGY INVENTIONS and all intellectual property rights therein including enforcement rights, and shall require its employees, agents or independent contractors to so assign their right, title and interest therein to BAXTER. BAXTER shall be responsible, at its sole expense and discretion, and with the cooperation of LIPOXEN if requested by BAXTER, for the filing, prosecution and maintenance of foreign and domestic PATENT APPLICATIONS and PATENTS covering such BAXTER CORE TECHNOLOGY INVENTIONS.

13.6 Individual PATENT Filings. Each PARTY shall have sole discretion and right to prepare, file, prosecute, maintain and defend PATENT APPLICATIONS or PATENTS for INVENTIONS it solely owns under this AGREEMENT, and shall be responsible for related interference proceedings. Each PARTY shall confer with the other PARTY, and make every reasonable effort to adopt the other PARTY'S suggestions regarding the prosecution of such PATENT APPLICATIONS, and shall copy the other PARTY on any official actions and submissions in such PATENT APPLICATIONS. Costs incurred with respect to PATENT APPLICATIONS shall be borne by the PARTY with the right to prosecute each such PATENT APPLICATION.

13.7 Joint PATENT Filings. With respect to all PATENT APPLICATIONS on JOINT INVENTIONS that are jointly owned by the PARTIES (i.e., JOINT INVENTIONS that have not been assigned nor are assignable to the other PARTY pursuant to Sections 13.4 and 13.5) (the "JOINT PATENT APPLICATIONS"), the PARTIES shall determine which PARTY shall be responsible for filing, prosecuting and maintaining PATENT APPLICATIONS and PATENTS on behalf of both PARTIES (the "RESPONSIBLE PARTY") based on a good faith determination of the relative contributions of the PARTIES to the INVENTION and the relative interests of the PARTIES in the INVENTION. At [***] prior to the contemplated filing of such PATENT APPLICATION, the RESPONSIBLE PARTY [***] of the JOINT PATENT APPLICATION to the other PARTY for its approval, which shall not be unreasonably withheld or delayed. Except as set forth below, the PARTIES shall [***] filing, prosecution and maintenance of all JOINT PATENT APPLICATIONS. If either PARTY [***] for a JOINT PATENT APPLICATION or PATENT

issuing there from, the other PARTY may proceed with such JOINT PATENT APPLICATION [***] in which case the PARTY [***] hereby agrees [***] its [***] in and to such JOINT PATENT APPLICATION to the other PARTY and such INVENTION shall be treated as a SOLE INVENTION of the [***] for the purposes of Sections 13.3 and 13.6.

13.8 Further Actions. Each PARTY shall cooperate with the other PARTY to execute all documents and take all reasonable actions to effect the intent of this Article 13.

13.9 Patent Marking and POTENTIAL PRODUCT & COMMERCIAL PRODUCT Marking.

(a) To the extent practical (as determined by BAXTER), BAXTER shall place appropriate LIPOXEN patent and/or patent pending markings on each POTENTIAL PRODUCT and COMMERCIAL PRODUCT or the packaging therefor. The content, form, size, location and language of such markings shall be in accordance with the LAWS and practices of the country in which the applicable units of each POTENTIAL PRODUCT or COMMERCIAL PRODUCT are distributed.

(b) BAXTER shall be responsible for all packaging (non-commercial and commercial) and labeling of POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S).

14. **Infringement**

14.1 Infringement of THIRD PARTY Rights.

14.1.1 Notice. If the development, manufacture, use, import or sale of POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) results in a claim for PATENT infringement by a THIRD PARTY, the PARTY to this AGREEMENT first having notice shall promptly notify the other PARTY in writing. The notice shall set forth the facts of the claim in reasonable detail.

14.1.2 Litigation Unrelated to LIPOXEN Licensed Technology. Except to the limited extent provided for in Section 14.1.3, BAXTER shall [***] each LIPOXEN INDEMNITEE from and [***] (including [***] resulting from any CLAIM that the [***] of POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) [***] a THIRD PARTY patent or [***] THIRD PARTY know-how.

14.1.3 BAXTER'S obligations under Section 14.1.2 shall not apply to any claim to the extent that any infringement of a THIRD PARTY patent or misappropriation of THIRD PARTY know-how results from (a) use of the LIPOXEN LICENSED RIGHTS, or (b) the SELECTED DELIVERY AGENT or DELIVERY AGENT in the POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S).

14.1.4 LIPOXEN shall [***] each BAXTER INDEMNITEE [***] and [***] (including [***] of [***] regardless of [***] resulting from any [***] of the SELECTED DELIVERY AGENT or DELIVERY AGENT provided by LIPOXEN to BAXTER under this AGREEMENT to make POTENTIAL PRODUCTS or COMMERCIAL PRODUCTS for use in the FIELD [***] a THIRD PARTY patent or [***] THIRD PARTY know-how; unless BAXTER [***] such [***] by LIPOXEN but [***] to [***] with the use of such SELECTED DELIVERY AGENT or DELIVERY AGENT in which case this [***] Such [***] shall be subject to the provisions of Section 12.3.

14.2 Infringement By THIRD PARTIES.

14.2.1 Notice of Infringement. If any VALID PATENT CLAIM is infringed by a THIRD PARTY, or any KNOW HOW utilized in the manufacture, use, import or sale of SELECTED DELIVERY AGENT or POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) is misappropriated by a THIRD PARTY, the PARTY first having knowledge of such infringement or misappropriation shall promptly notify the other PARTY in writing. The notice shall set forth the facts of such infringement or misappropriation in reasonable detail.

14.2.2 Prosecution of Actions Related to the FIELD.

(a) BAXTER [***] but [***] to [***] THIRD PARTIES arising from such THIRD PARTIES [***] or [***] of LIPOXEN LICENSED TECHNOLOGY in the FIELD, including the [***] of a POTENTIAL PRODUCT or COMMERCIAL PRODUCT(S).

(b) If BAXTER [***] within a [***] of [***] after [***] from LIPOXEN of the [***] LIPOXEN [***] but not [***] to [***] using counsel [***] at [***] If LIPOXEN determines that BAXTER [***] PARTY to the action, BAXTER [***] In such event, BAXTER [***] at [***] No [***] of [***] under this Section 14.2.2(b) may be entered [***] of LIPOXEN and BAXTER (which [***])

(c) Awards. If either PARTY brings an action for infringement or misappropriation by a THIRD PARTY under this Section 14.2.2 any damages or other monetary awards or payments in settlement recovered by such PARTY [***]

[***] PARTIES in the action (including [***]. Any [***] by the PARTIES as follows: [***] shall be [***] by BAXTER and [***] shall be [***] LIPOXEN.

15. **Term and Termination**

15.1 Expiration. The term of this AGREEMENT (the "TERM") shall commence on the EFFECTIVE DATE and shall continue until terminated or until it expires as set forth herein. Once a POTENTIAL PRODUCT has been commercialized, this AGREEMENT [***] upon the [***] of all [***] unless [***] as provided herein. Upon the [***] in any applicable [***] provided that this AGREEMENT has not been or is not in the future [***] by either PARTY in accordance with its terms, LIPOXEN hereby [***] BAXTER and its AFFILIATES [***] in the FIELD under the LIPOXEN LICENSED TECHNOLOGY to [***] POTENTIAL PRODUCTS and COMMERCIAL PRODUCT(S) in the FIELD.

15.2 Termination without Cause.

15.2.1 BAXTER shall be [***] AGREEMENT by [***] LIPOXEN [***] on the RESEARCH MIDPOINT and [***] after the RESEARCH MIDPOINT.

15.2.2 After the [***] BAXTER may [***] this AGREEMENT, without liability, [***] to LIPOXEN.

15.3 Termination for Cause. Each PARTY shall have the right to terminate this AGREEMENT by written notice to the other PARTY for a material failure to comply with the material terms of this AGREEMENT by the other PARTY,

provided such failure to comply is not corrected by the failing PARTY within: (i) [***] of written notice of [***] or any [***] when due hereunder, or (ii) [***] receipt of written notice of [***] PARTY.

15.4 Termination on Challenge. LIPOXEN may [***] this AGREEMENT by [***] to BAXTER if BAXTER, its AFFILIATES or a SUBLICENSEE [***] LIPOXEN [***] of the LIPOXEN PATENT RIGHTS or to [***] of any of the LIPOXEN KNOW-HOW; provided that LIPOXEN may not exercise [***] under this Section if BAXTER, its AFFILIATES or a SUBLICENSEE brings [***] to LIPOXEN's [***] of this Agreement (except under this Section) or [***] (whether under [***] against BAXTER, its AFFILIATES or a SUBLICENSEE.

15.5. Termination for Insolvency. Either[***] Agreement immediately by [***] in the event: (i) the other party voluntarily enters into bankruptcy proceedings; (ii) the other party makes an assignment for the benefit of creditors; (iii) a petition is filed against the other party under a bankruptcy law, a corporate reorganization law, or any other law for relief of debtors or similar law analogous in purpose or effect, which petition is not stayed or dismissed within [***] of filing thereof; or (iv) the other party enters into liquidation or dissolution proceedings or a receiver is appointed with respect to any assets of the other party, which appointment is not vacated within [***] (herein a BANKRUPTCY PROCEEDING).

15.6 Termination for Lack of Due Diligence. LIPOXEN may terminate this AGREEMENT on [***] to BAXTER if BAXTER [***] set forth in Schedule IV by the [***] provided that: (a) BAXTER [***] making the [***] in accordance with Section 8.2; or (b) such [***], or (c) such [***] by LIPOXEN of the terms of this AGREEMENT which [***] BAXTER's [***] or (d)

[***] a new regulatory requirement that [***] of the [***] of a POTENTIAL PRODUCT (so long as BAXTER [***] the development of a different POTENTIAL PRODUCT within a [***]).

For purposes of clarification, none of the due [***] are meant to be [***] to the [***] obligations. For example, if BAXTER [***] entitled "IND Filing" by [***] BAXTER [***] date by [***] by [***] and [***] after the [***] period; in which case (a) such due diligence milestone is [***] and (b) BAXTER shall be [***] entitled "IND acceptance (or European equivalent)."

15.7 Effect of Termination or Expiration.

15.7.1 The provisions of Sections 1, 9, 10, 11, 12.1 (to the extent such claim arises prior to the expiration or termination of this AGREEMENT), 12.2, 12.3, 13, 14.1 (to the extent such claim arises prior to the expiration or termination of this AGREEMENT), 14.2 (only to infringement during the term of this AGREEMENT), 15.7, 16, 17 and 18, in each case together with any defined terms applicable to such provisions shall survive expiration or termination of this AGREEMENT for any reason whatsoever.

15.7.2 If this AGREEMENT is terminated by LIPOXEN pursuant to Section 15.3 or by BAXTER pursuant to Section 15.2, then:

(a) BAXTER [***] and [***] including [***] by LIPOXEN under the RESEARCH PLAN and [***] and THIRD PARTY subcontractors, [***] and [***] by LIPOXEN in relation to the RESEARCH PLAN and those activities that [***][***] by LIPOXEN in order to meet BAXTER'S [***] of SELECTED REAGENT;

(b) BAXTER [***] LIPOXEN [***] and [***] in accordance with the terms of this AGREEMENT; and

(c) BAXTER shall be entitled to [***] of COMMERCIAL PRODUCT(S) under the terms and conditions set forth in this AGREEMENT.

15.7.4 Subject to the foregoing, if this AGREEMENT expires or is terminated for any reason whatsoever, any licenses and sublicenses granted under this AGREEMENT shall automatically terminate and all licensed rights shall revert in their entirety to the respective licensor.

15.7.5 Termination of this AGREEMENT by a PARTY [***] PARTY, in [***].

15.7.6 In the event that there is an attempt to terminate this AGREEMENT as part of a BANKRUPTCY PROCEEDING, LIPOXEN hereby agrees to grant and hereby grants BAXTER and its AFFILIATES [***], with [***] in the FIELD under the LIPOXEN LICENSED TECHNOLOGY to [***] POTENTIAL PRODUCTS and COMMERCIAL PRODUCT(S) in the FIELD; provided that BAXTER [***] under this AGREEMENT. Baxter [***] LIPOXEN, or any trustee in such BANKRUPTCY PROCEEDING [***] to the [***] provision provided in this AGREEMENT. In addition to the surviving Sections in Section 15.7.1, Sections 3.1, 3.2 and 4.3 shall survive termination or expiration of this Agreement.

16. **Assignment**

Unless otherwise expressly permitted hereunder [***] rights or delegate any of its duties under this AGREEMENT without the prior written consent of the other PARTY, except that either [***] and/or responsibilities hereunder without the [***] as part of: (i) the sale of all or substantially all of the assets or the entire business to which this AGREEMENT relates, (ii) a merger, consolidation, reorganization or other combination with or into another person or entity; or (iii) the transfer or assignment to an AFFILIATE, in each case, pursuant to which the surviving entity or assignee assumes the assigning or merging PARTY'S obligations hereunder. [***]

17. **Notices**

Wherever notice is required or permitted hereunder, it shall be by personal delivery, first class mail, overnight delivery service, or sent by facsimile transmission, with electronic confirmation, properly directed to the PARTY at its address and contact information listed below. Said address and contact information may be changed from time to time by similar written notice.

If to BAXTER, addressed to:

Baxter Healthcare Corporation
One Baxter Parkway
Deerfield, Illinois 60015
Attention: General Counsel
Telephone: 847.948.3225
Facsimile: 847.948.2450

Baxter Healthcare SA
CH-8304 Wallisellen
Zurich, Switzerland
Attention: Counsel
Telephone: 41 1 878 6199
Facsimile: 41 1 878 6352

With copies to:

Baxter Healthcare Corporation

One Baxter Parkway
Deerfield, Illinois 60015
Attention: President, Venture Management
Telephone: 847.940.6255
Facsimile: 847.940.6273

Baxter Healthcare SA
CH-8304 Wallisellen
Zurich, Switzerland
Attention:
Telephone: 41 1 878 6199
Facsimile: 41 1 878 6352

If to LIPOXEN, addressed to:

Lipoxen Technologies Limited
Suite 303, Hamilton House
Mabledon Place
London WC1H9BB
Telephone: +44 (0) 20 7727 7940
Facsimile: +44 (0) 20 7504 3500

18. **Miscellaneous**

18.1 Force Majeure. Except for each PARTY'S confidentiality and indemnity obligations, the obligations of either PARTY under this AGREEMENT shall be excused during each period of delay caused by matters such as acts of God, strikes, supplier delays, shortages of raw materials, government orders, sufferance of or voluntary compliance with acts of government or governmental regulation, or acts of war or terrorism, which are reasonably beyond the control of the PARTY obligated to perform. Force majeure shall not include a lack of funds, bankruptcy or other financial cause or disadvantage. Nothing contained in this AGREEMENT shall affect either PARTY'S ability or discretion regarding any strike or other employee dispute or disturbance and all such strikes, disputes or disturbances shall be deemed to be beyond the control of such PARTY. A condition of force majeure shall be deemed to continue only so long as the affected PARTY shall be taking all reasonable actions necessary to overcome such condition. If either PARTY shall be affected by a condition of force majeure, such PARTY shall give the other PARTY prompt notice thereof, which notice shall contain the affected PARTY'S estimate of the duration of such condition and a description of the steps being taken or proposed to be taken to overcome such condition of force majeure. Any delay occasioned by any such cause shall not constitute a default under this AGREEMENT, and the obligations of the PARTIES shall be suspended during the period of delay so occasioned. During any period of force majeure, the PARTY that is not directly affected by such condition of force majeure may take any reasonable action necessary to mitigate the effects of such condition of force majeure.

18.2 Severability. All the terms and provisions of this AGREEMENT are distinct and severable, and if any term or provision is held unenforceable, illegal or void in whole or in part by any court, regulatory authority or other competent authority it shall to that extent be deemed not to form part of this AGREEMENT, and the enforceability, legality and validity of the remainder of this AGREEMENT shall not be affected thereby.

18.3 Variation. This AGREEMENT may not be amended, varied or modified in any manner except by an instrument in writing signed by a duly authorized officer or representative of each PARTY hereto.

18.4 Forbearance and Waiver. No waiver by a PARTY in respect of any breach shall operate as a waiver in respect of any subsequent breach. No forbearance, failure or delay by a PARTY in exercising any right or remedy shall operate as a waiver thereof, nor shall any single or partial forbearance, exercise or waiver of any right or remedy prejudice its further exercise of any right or remedy under this AGREEMENT or at LAW.

18.5 Counterparts; Facsimile. This AGREEMENT may be executed in more than one counterpart, each of which constitutes an original and all of which together shall constitute one enforceable agreement. For purposes of this AGREEMENT and any other document required to be delivered pursuant to this AGREEMENT, facsimiles of signatures shall be deemed to be original signatures. In addition, if any of the Parties sign facsimile copies of this AGREEMENT, such copies shall be deemed originals

18.6 No Partnership. The relationship of the PARTIES is that of independent contractors and this AGREEMENT shall not operate so as to create a partnership or joint venture of any kind between the PARTIES.

18.7 Construction. The PARTIES have participated jointly in the negotiation and drafting of this AGREEMENT. In the event that an ambiguity or question of intent or interpretation arises, this AGREEMENT shall be construed as if drafted jointly by the PARTIES and no presumption or burden of proof shall arise favoring or

disfavoring any PARTY by virtue of the authorship of any of the provisions of this AGREEMENT. Except where the context otherwise requires, where used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word "or" is used in the inclusive sense (and/or). The captions of this AGREEMENT are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this AGREEMENT or the intent of any provision contained in this AGREEMENT. The term "includes" and "including" as used herein means including but not limited to.

18.8 Entire Agreement. This AGREEMENT and the Schedules attached hereto constitute the entire understanding between the PARTIES and supersedes any prior or contemporaneous written or oral understanding, negotiations or agreements between and among them respecting the subject matter hereof. This AGREEMENT shall be binding upon, and inure to the benefit of, the PARTIES and their respective successors and assigns. The PARTIES acknowledge that they are not relying on any representation, agreement, term or condition which is not expressly set out in this AGREEMENT.

18.9 Governing LAW. This AGREEMENT shall be governed by and construed in accordance with the LAWS of [***] without regard to its or any other jurisdiction's choice of law rules. Any disputes under this AGREEMENT shall be brought in the state or federal courts located in Illinois. The PARTIES submit to the personal jurisdiction of such courts for any such action, agree that such courts provide a convenient forum for any such action, and waive any objections or challenges to venue with respect to such courts.

18.10 Publicity. Neither PARTY shall make any public announcement concerning this AGREEMENT without the prior written consent of the other PARTY, except that (a) either PARTY is entitled to issue a press release on or soon after the EFFECTIVE DATE provided it obtains the prior approval of the other PARTY and, in the case of BAXTER, is also approved by BAXTER's corporate and communications department [***] which shall not be unreasonably withheld, (b) either PARTY is entitled to refer to the existence of this AGREEMENT and any terms which have been disclosed in any BAXTER-approved document or other

document disclosed under Subsection (c) during the course of financing, or (c) either PARTY may make a statement or announcement concerning this AGREEMENT if counsel to such PARTY advises that such announcement or statement is be required by LAW (including applicable stock exchange rule). In the case of an announcement required by LAW, the other PARTY shall be advised in advance and both parties shall use good faith efforts to cause a mutually agreeable announcement to be issued in a timely basis.

18.11 Compliance with LAWS. Each PARTY will comply with all LAWS in performing its obligations and exercising its rights hereunder. Nothing in this AGREEMENT shall be deemed to permit BAXTER or its SUBLICENSEES to export, re-export or otherwise transfer any information or materials (including SELECTED DELIVERY AGENT) transferred hereunder or to deal in any way with POTENTIAL PRODUCTS or COMMERCIAL PRODUCT(S) without complying with LAWS.

IN WITNESS WHEREOF, the PARTIES hereto have caused their authorized representatives to execute this AGREEMENT by signing below:

Signed:
For and on behalf of:
Lipoxen

Signature /s/ M. Scott Mcguire
Name: M. Scott Mcguire
Title: CEO

For and on behalf of:
Baxter Healthcare Corporation

Signature
Name:
Title:

Signed:
For and on behalf of:
BAXTER HEALTHCARE SA

Signature /s/ B. Lenzlinger
Name: B. Lenzlinger
Title: Finance Director
Baxter Healthcare SA

/s/ M. Lukas
M. Lukas
Dir. Biolife Europe
Plasma Contract Manufacturing

IN WITNESS WHEREOF, the PARTIES hereto have caused their authorized representatives to execute this AGREEMENT by signing below:

Signed:
For and on behalf of:
Lipoxen

Signature _____
Name:
Title:

For and on behalf of
Baxter Healthcare Corporation

Signature /s/ Joy A. Amundson
Name: Joy A. Amundson
Title: President, BioScience

Signed:
For and on behalf of:
BAXTER HEALTHCARE SA

Signature _____
Name:
Title:

SCHEDULE I

PAYMENT SCHEDULE

The total estimated cost for the RESEARCH PLAN is [***] applicable) and [***] as follows: [***] after the [***], [***] after the [***] provided BAXTER [***] the RESEARCH PROGRAM within [***] of such [***] as set out in Section 15.2, and [***] of the [***] of the RESEARCH PLAN. LIPOXEN shall provide BAXTER with a [***] the [***] of the RESEARCH PLAN. In the event that [***] of the RESEARCH PLAN [***], the [***]; provided that any [***] BAXTER in writing.

SCHEDULE II

RESEARCH PLAN

SCHEDULE III

MILESTONE EVENTS AND PAYMENTS

Assuming BAXTER has [***] as set forth in Section 2.3, then, pursuant to Section 8.1, the following MILESTONE PAYMENTS shall be [***] by BAXTER to LIPOXEN upon occurrence of the following MILESTONE EVENTS with respect to all POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS (as the case may be) [***] Schedule IV):

MILESTONE EVENTS	MILESTONE PAYMENTS
[***]	

SCHEDULE IV

DUE DILIGENCE MILESTONE EVENTS

BAXTER agrees to meet the due diligence milestone events set forth below [***] BAXTER [***] LIPOXEN the [***] set out below, [***] by LIPOXEN on or prior to the relevant due diligence milestone event date, to [***] set out below. BAXTER shall be entitled to [***] that [***] to LIPOXEN.

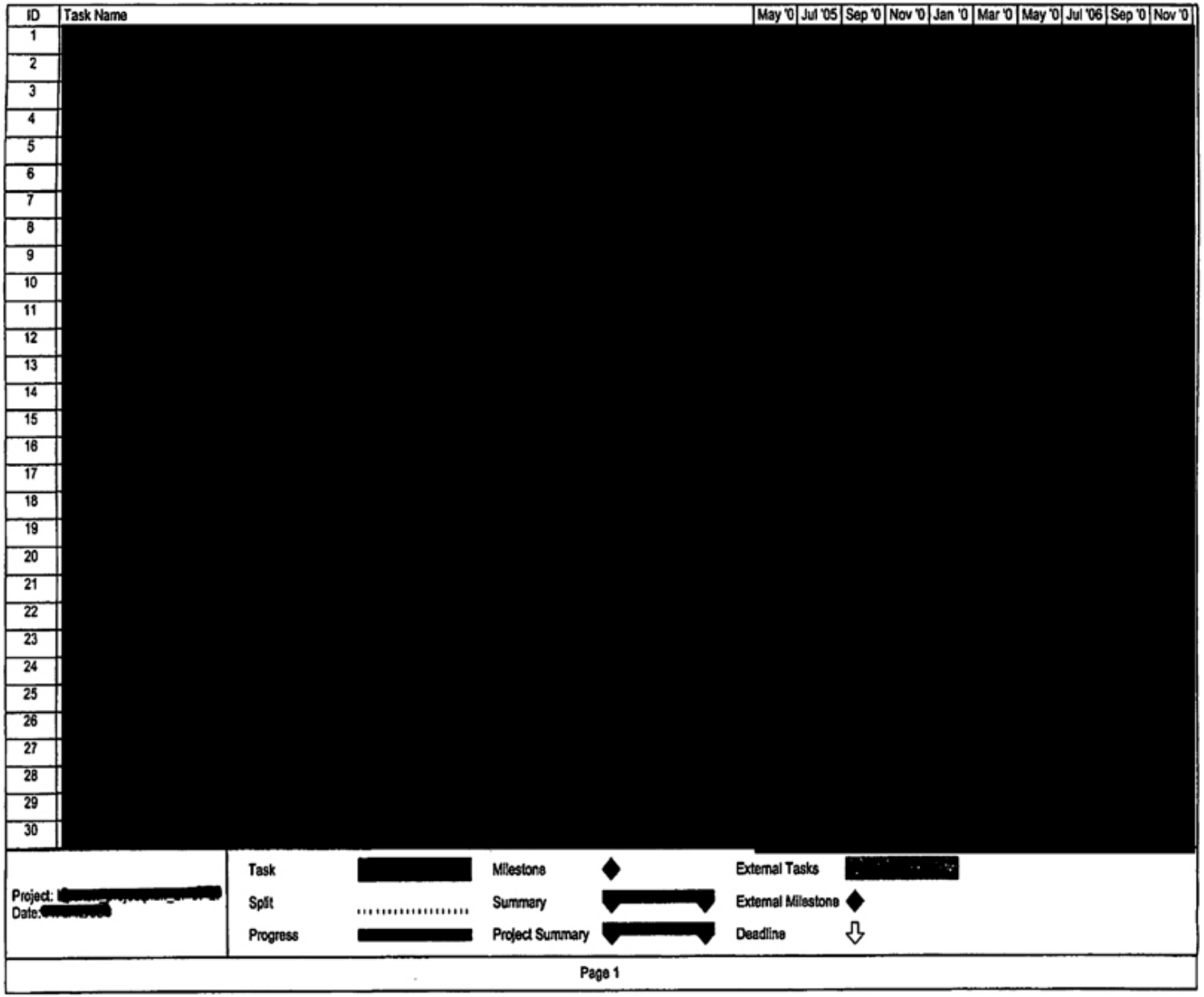
Due Diligence Milestone	[***]
1	[***]
2	[***]
3	[***]

1 Corresponds to MILESTONE EVENT entitled "IND Filing"
2 Corresponds to MILESTONE EVENT entitled "Completion of a Phase II clinical trial anywhere in the world."
3 Corresponds to MILESTONE EVENT entitled "Regulatory Approval: US."

SCHEDULE V

LIPOXEN PATENTS

Reference	Country of Filing	Application No.	Grant. Serial or Regn.No.	Application Date	Grant Date
*****					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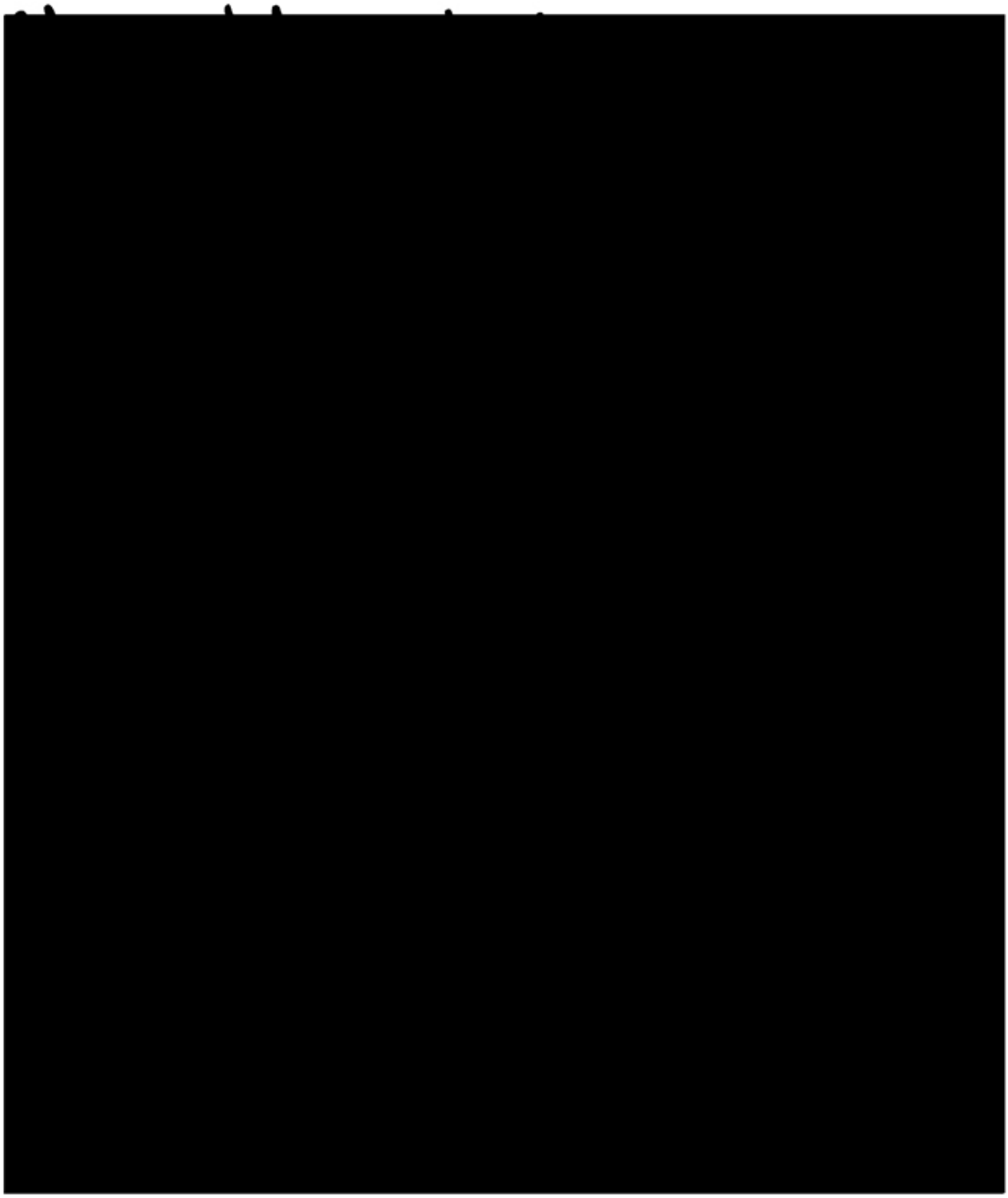
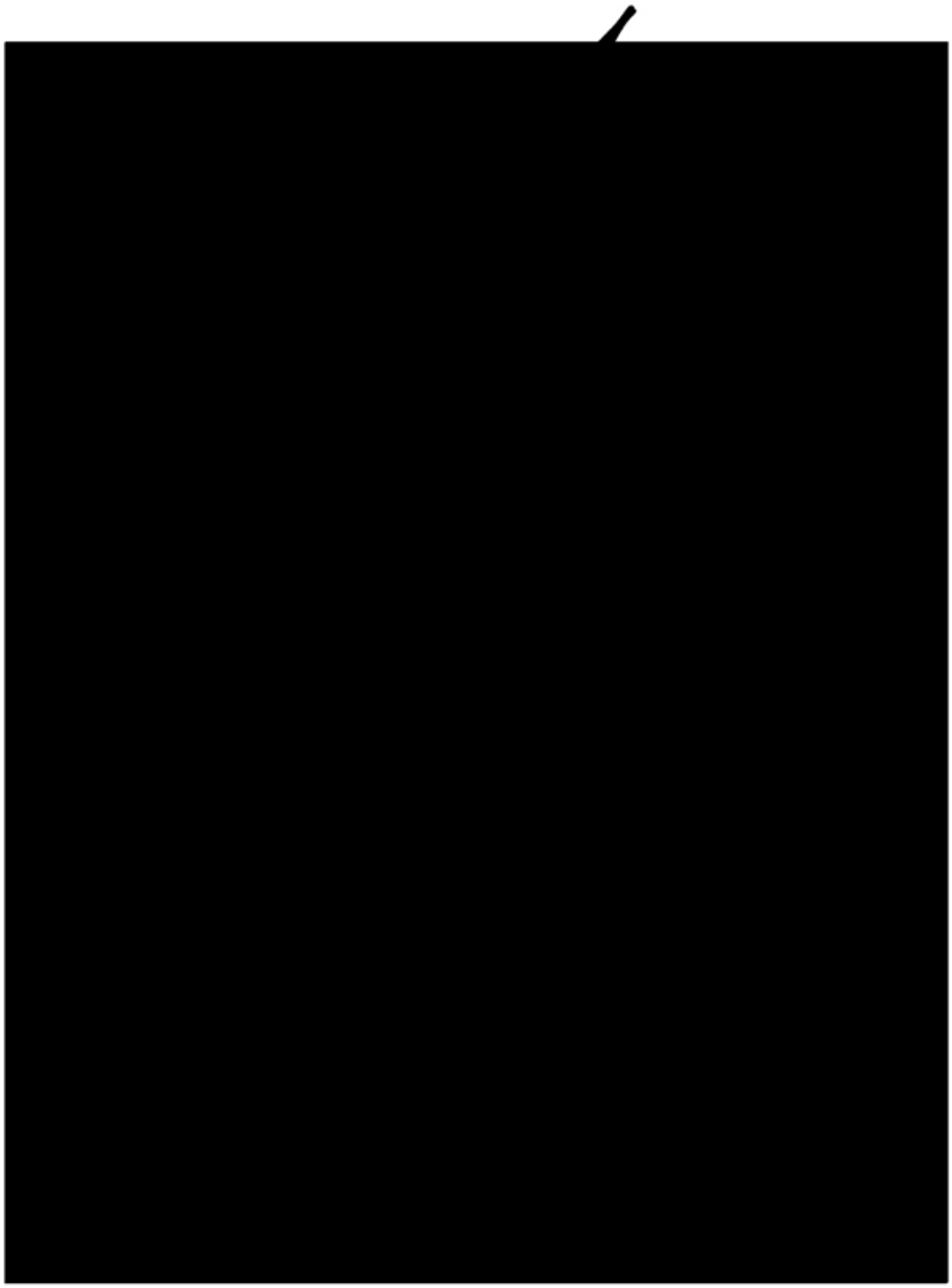
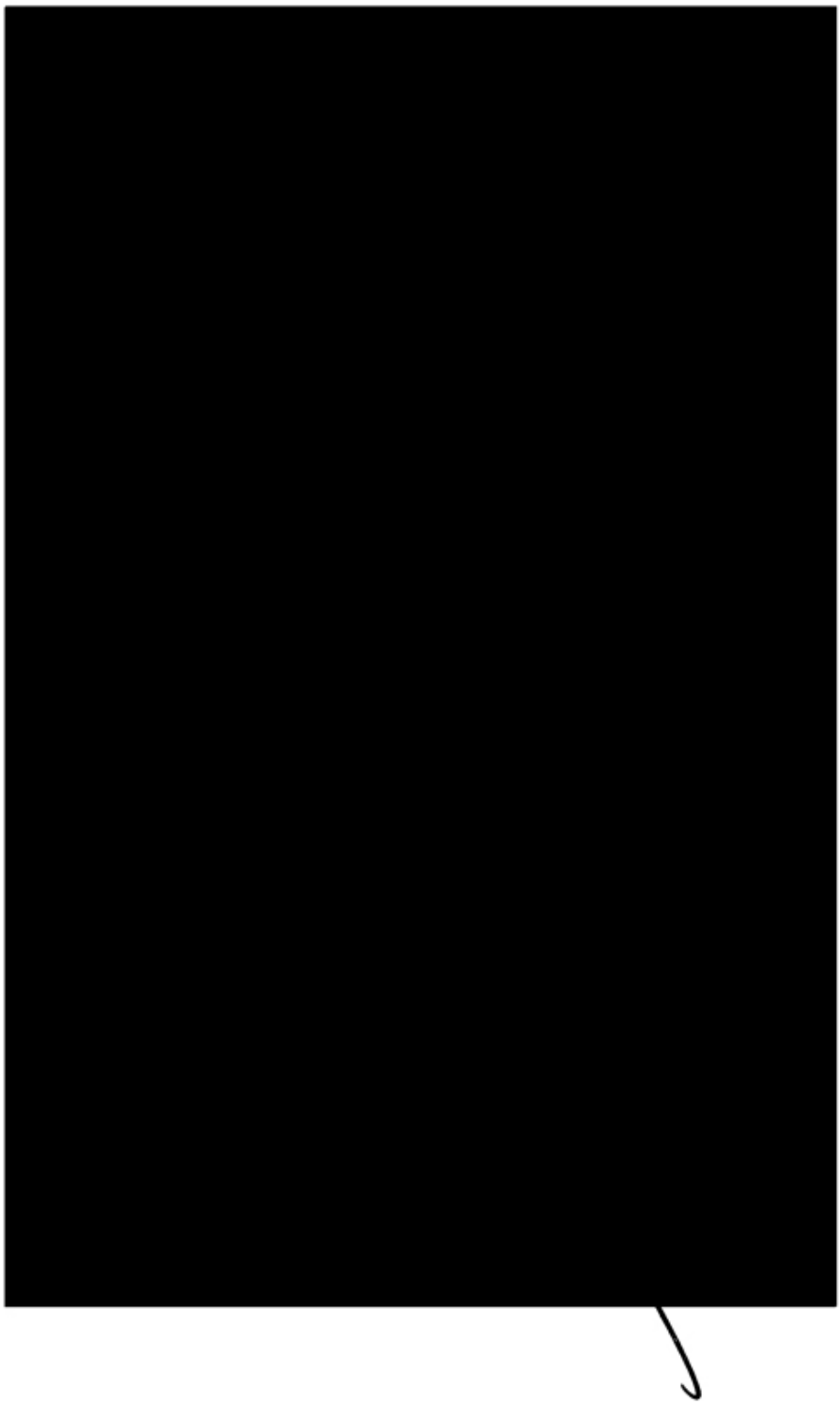
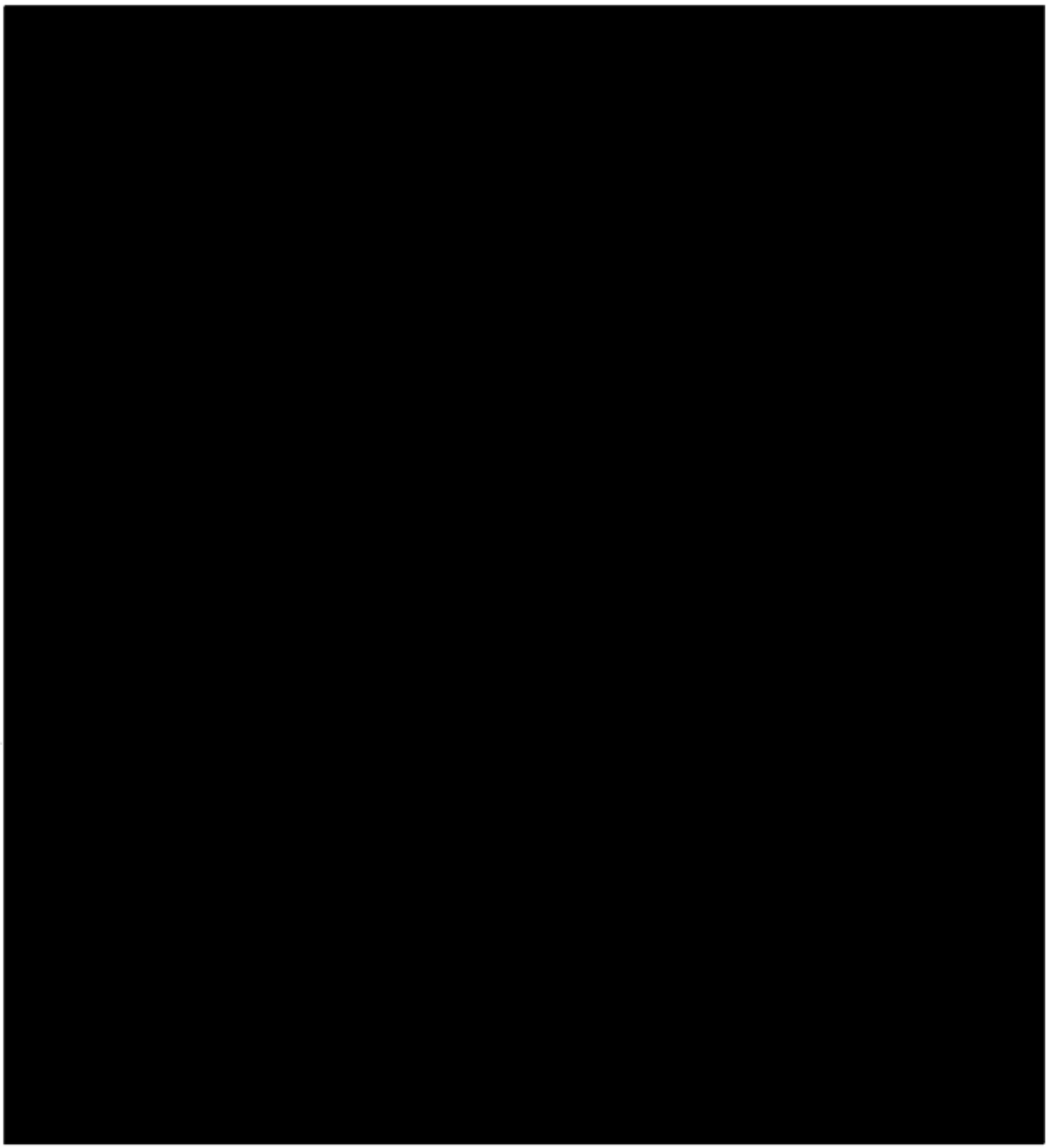
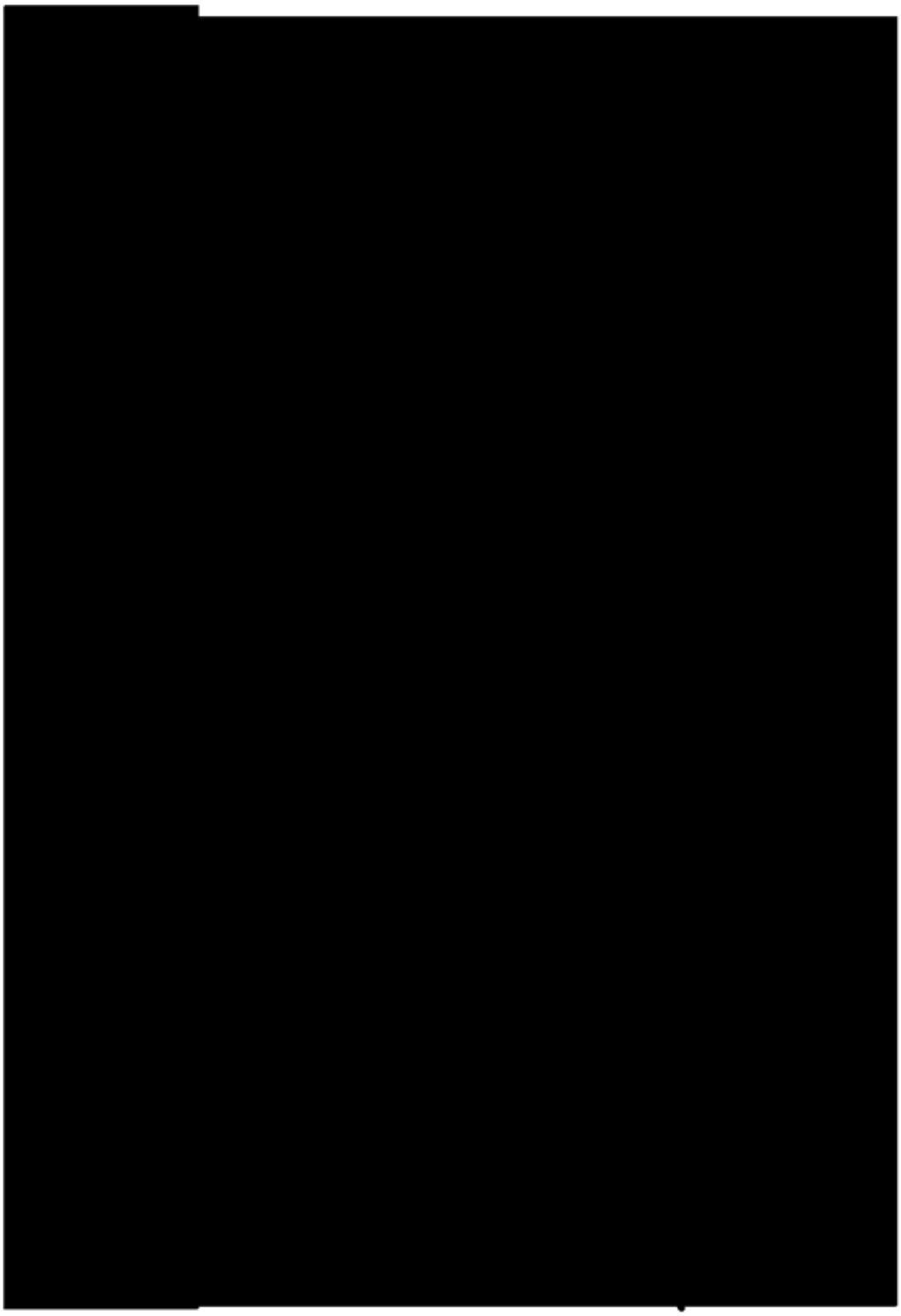
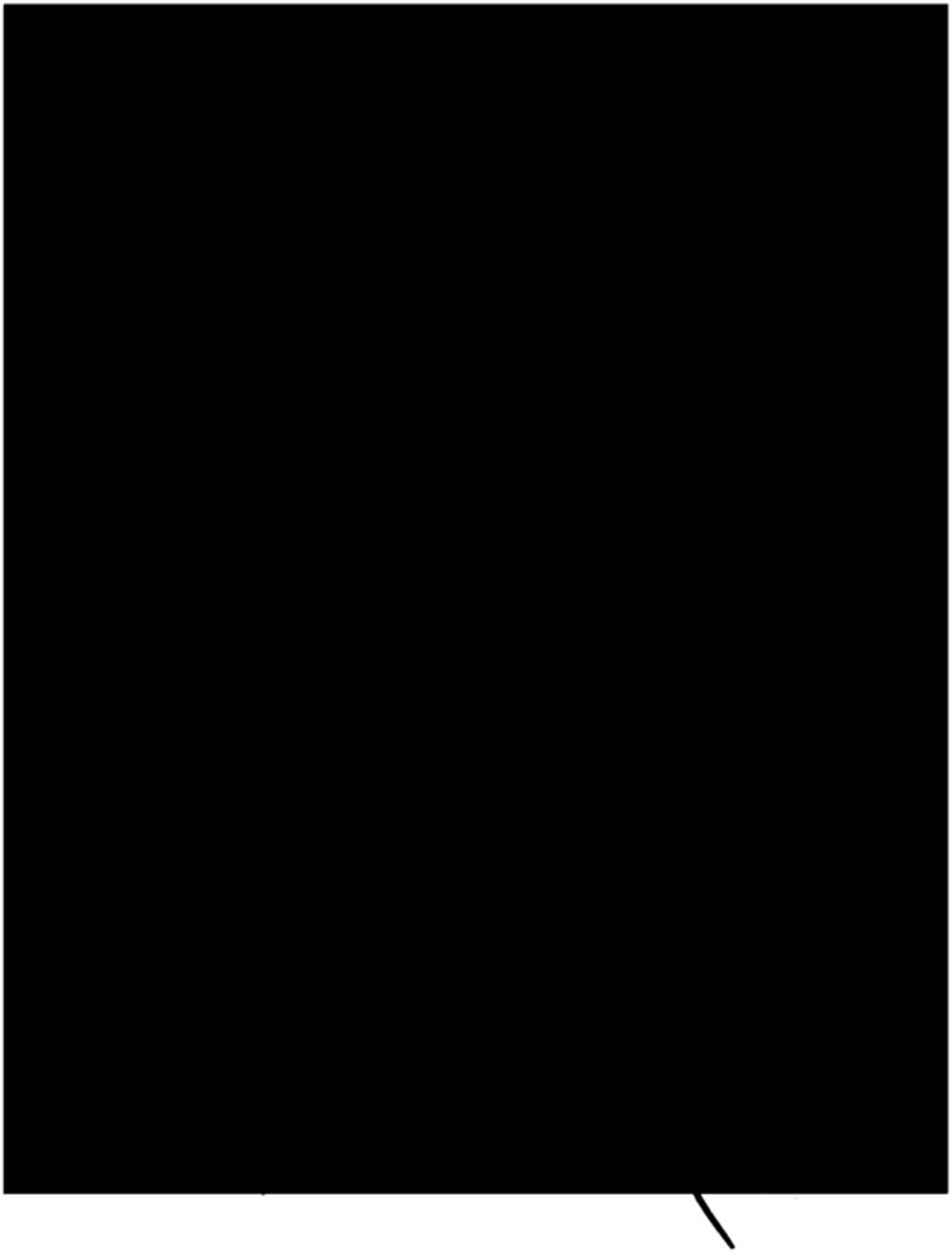


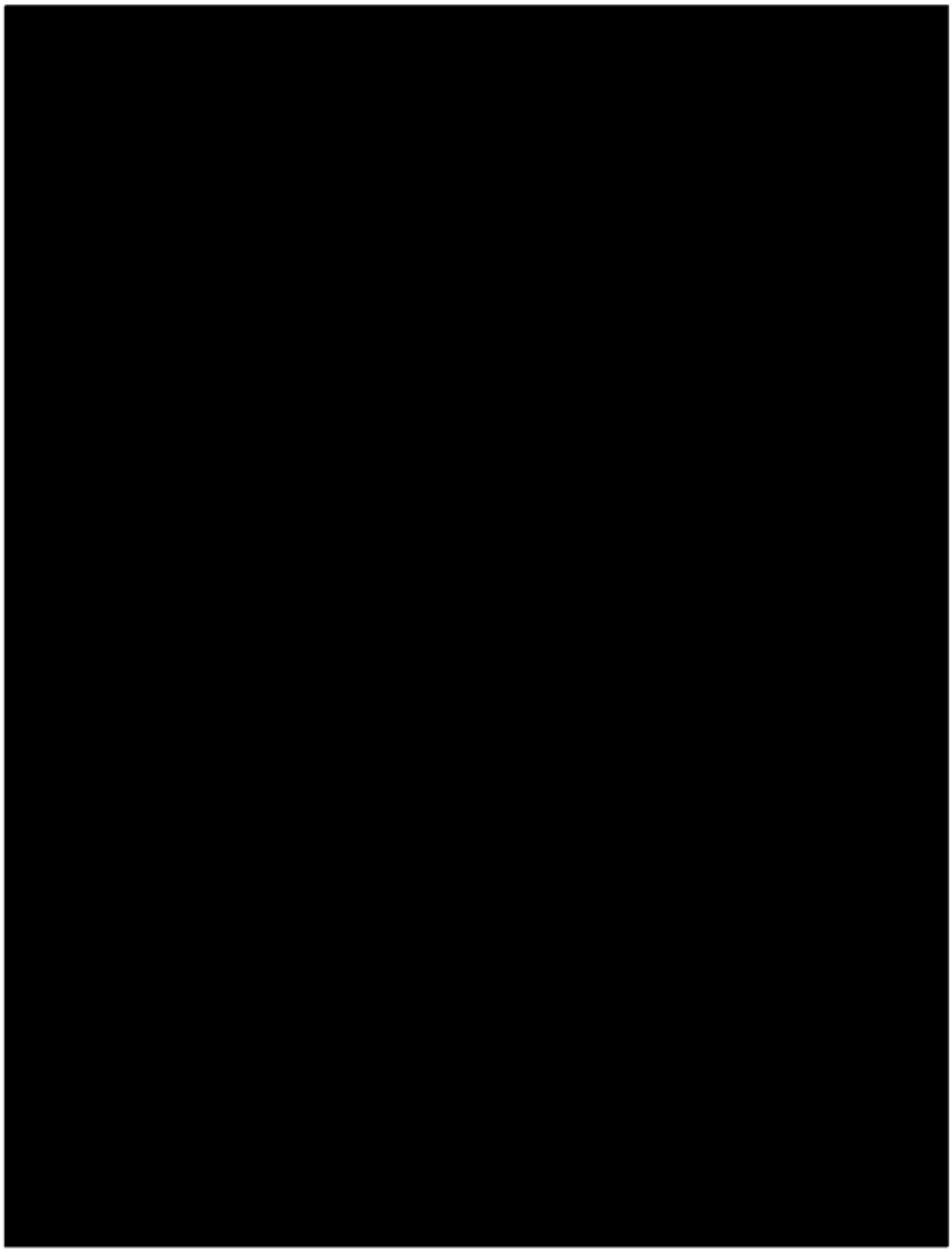


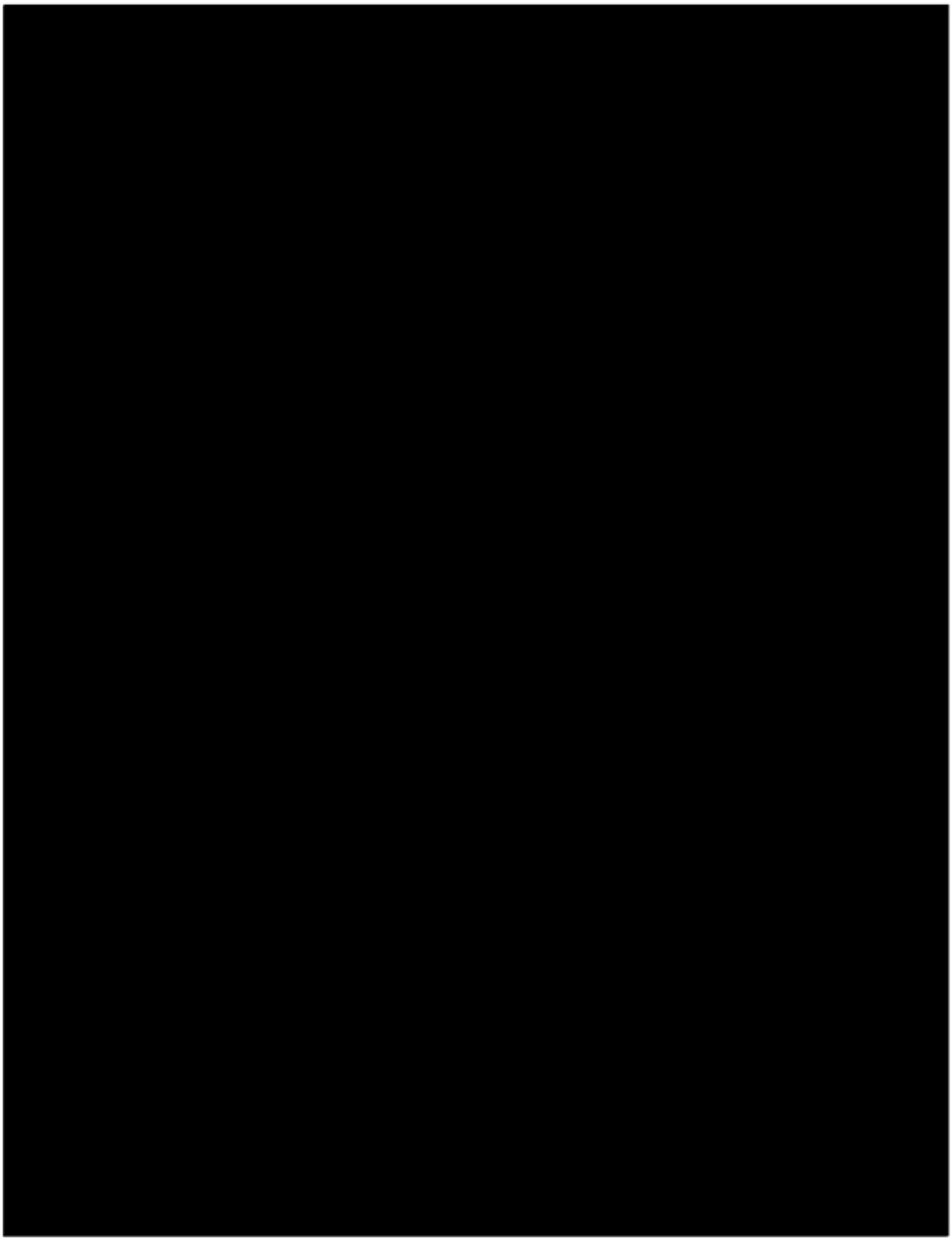












200500453-11412

[ILLEGIBLE] p.1

[ILLEGIBLE] **[ILLEGIBLE]**

LETTER AGREEMENT

This is a letter agreement {'Letter Agreement'} entered into and between:

(1) LIPOXEN TECHNOLOGIES LIMITED, a company registered in England and Wales with company number 03401495 having its registered office is at Suite 303, Hamilton House, Mabledon Place, London [**ILLEGIBLE**] and a place of business at 2 Royal College Street, London NW1 ONH, England ("Lipoxen");

(2) SERUM INSTITUTE OF INDIA LIMITED, a company incorporated under the Laws of India, having its principal place of business at S. No. 212/2, Off Soll Poonawalla Road, Hadapsar, Pune - 411 028, India ("SII");

(3) BAXTER HEALTHCARE CORPORATION, a Delaware Corporation having its principal place of business at One Baxter Parkway, Deerfield, Illinois 60015 ("BHC"); and

(4) BAXTER HEALTHCARE SA, a corporation organized and existing under the laws of Switzerland and having its principle place of business being Hartistrasse 2, Postfach 8304, [**ILLEGIBLE**], Switzerland ("BHSA").

WHEREAS, BHSA and BHC, both of which being referred to herein as 'Baxter', and Lipoxen have entered into an 'Exclusive Research, Development and License Agreement dated August 15, 2005 ('Baxter License');

WHEREAS, Lipoxen and SII have entered into various agreements concerning the [***] 'Development and Manufacturing Agreement' dated 2006 ('Lipoxen/SII Agreements');

WHEREAS, SII will benefit directly by the [***] Baxter and other CUSTOMERS, as defined in the Lipoxen/SII Agreements:

WHEREAS, Baxter is willing to exercise its option under the Baxter License to pursue the [***] POTENTIAL PRODUCTS and COMMERCIAL PRODUCT(S), as defined in the Baxter

License provided that it receives various assurances and commitments from SII and Lipoxen as more fully defined herein:

1) SII and Lipoxen acknowledge and agree that pursuant to and during the term of the Baxter License, Lipoxen [***] with Baxter in the [***] of POTENTIAL PRODUCTS and COMMERCIAL PRODUCT(S) within the FIELD, all such terms as defined in the Baxter License, and that pursuant to the Lipoxen/SII Agreements [***] any third party [***]

2) SII and Lipoxen acknowledge and agree that pursuant to the Baxter License, Baxter [***] POLYSIALIC ACID, as defined in the Baxter License, from SII;

3) SII and Lipoxen acknowledge and agree that pursuant to the Baxter License that [***] within the FIELD as specifically defined in the Baxter License;

4) SII and Lipoxen further acknowledge and agree that in light of these commitments and further to allow Baxter [***] under the Baxter License that each company [***] neither shall knowingly whether [***] or provide any party or entity other than Baxter [***] for the [***] of any product within the FIELD, as set forth in the Baxter License;

5) SII and Lipoxen further acknowledge and agree that in light of [**ILLEGIBLE**] commitments and further to allow Baxter to [***] under the Baxter License that each company provides [***] shall knowingly whether directly or indirectly provide any information pertaining to the [***] any party or entity [***] Baxter [***] the FIELD and specifically shall not [***] Baxter for the [***] of any product within the FIELD, as set forth in the Baxter License, however it is clarified that this clause [***] outside the FIELD. SII can file the documents containing this information [***] with the Regulatory Authorities in [***]

6) SII and Lipoxen acknowledge and agree that pursuant to Article 4 of the Baxter License Lipoxen [***] to Baxter for use in the FIELD only, and Baxter is [***] from Lipoxen, [***] defined in the Baxter License; Such circumstance relates to Baxter's right to [***] FIELD [***] of the first PHASE 2 CLINICAL TRIAL.

7) SII and Lipoxen also acknowledge and agree that pursuant to the Lipoxen/SII Agreements, and specifically the 'Development and Manufacturing Agreement' dated 2nd August 2006, Lipoxen [***] to Baxter as a CUSTOMER, as defined in such Agreement;

8) SII and Lipoxen acknowledge and agree that in light of these commitments and further to induce Baxter to [***] the Baxter License that each company [***] event Lipoxen is [***] under the Baxter License to [***] Baxter with [***] for what ever reason, including but not limited to bankruptcy or insolvency, that in addition to the rights Baxter may have under the Baxter License [**ILLEGIBLE**] SII and Lipoxen agree that Baxter [***] Baxter and Lipoxen by [***] with SII; and

9) SII specifically acknowledges and agrees that in light of these commitments and further to induce Baxter [***] the Baxter License that SII [***] with Baxter [***] in the event Lipoxen is [***] under the Baxter License to [***] Baxter [***] for what [**ILLEGIBLE**].

Except as provided in this Letter Agreement all of the terms and conditions of the Baxter License and the Lipoxen/SII Agreements shall remain in full force and effect, and shall not be modified or altered except as provided herein.

All of the parties acknowledge that this Letter Agreement shall constitute a modification or alteration of some of the terms and conditions of the Baxter License and the Lipoxen/SII Agreements.

[**ILLEGIBLE**] **[ILLEGIBLE]**

All of **[ILLEGIBLE]** parties further acknowledge and agree that this Letter Agreement can be executed in more than one counterpart, each of which constitutes an original and all of which together shall [**ILLEGIBLE**] one enforceable agreement. For purposes of this Letter Agreement and any other document that is required to be delivered pursuant to this Letter Agreement, **[ILLEGIBLE]** of signatures shall be deemed to be original signatures. In addition, if any of the parties sign **[ILLEGIBLE]** copies of this Letter Agreement, such copies shall be deemed originals.

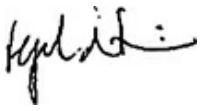
IN WITNESS WHEREOF, the parties hereto have caused their authorized representatives to execute this Letter Agreement by signing below:

Signed:
For and behalf of:
Lipoxen Technologies Limited

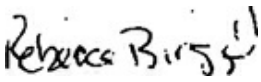
Signature: _____
Name: **[ILLEGIBLE]**
Title: CEO

Date: December 11, 2006

Signed:
For and behalf of:
Baxter Healthcare SA



Signature: _____
Name: F.de Freine
Title: Finance Director
Baxter Healthcare SA
Date:



R.Binggeli
Director of Tax, Europe
Baxter Healthcare SA
Dec. 13, 2006

Signed:
For and behalf of:
[ILLEGIBLE] Institute of India Limited

Signature: _____
Name: **[ILLEGIBLE]**
Title: Company Secretary

Date: 11th December [**ILLEGIBLE**]

Signed:
For and behalf of:
Baxter Healthcare Corporation

Signature: _____
Name: **[ILLEGIBLE]**
Title: Corporate Vice President-President BioScience
Date: December 13, 2006

Exhibit 10.12

FROM: **[ILLEGIBLE]** PHONE NO. : 00442076811314 13 DEC. 2006 01: 58 PM P1

AMENDMENT

This is an amendment to the Research, Development and License Agreement ("R&L AGREEMENT") entered into on August 15, 2005, by and between Lipoxen Technologies Limited, a company registered in England and **[ILLEGIBLE]** with company number 03401495 and having its registered office at suit **[ILLEGIBLE]** WC1H **[ILLEGIBLE]** ("LIPOXEN"); **[ILLEGIBLE]** Healthcare SA ("BHSA"), a corporation organized and existing under the laws of Switzerland, and Baxter Healthcare Corporation ("BHC") having its principal place of business at One **[ILLEGIBLE]** Parkway, **[ILLEGIBLE]**, **[ILLEGIBLE]**

WHEREAS, LIPOXEN has [***] to the terms of Article 2.3 of the R&L AGREEMENT before the ACCEPTANCE DATE (as defined in the R&L AGREEMENT), and specifically by December 13, 200 **[ILLEGIBLE]**;

WHEREAS, [***] provided that the R&L AGREEMENT [***] as provided below:

ACCORDINGLY, BAXTER and LIPOXEN agree to the following amendments and modifications of the R&L AGREEMENT:

1. Replace Article 2.1 with the following:

> "In General BAXTER **[ILLEGIBLE]** LIPOXEN with[***] or other THERAPEUTIC AGENTS to **[ILLEGIBLE]** developing DELIVERY AGENTS and POTENTIAL PRODUCTS to be utilized by BAXTER in its research and development activities to [***] other THERAPEUTIC AGENT. BAXTER shall as soon as possible after the EFFECTIVE DATE provide all of the BAXTER KNOW-HOW to LIPOXEN. At BAXTER's sole discreation BAXTER may or may not provide to LIPOXEN data **[ILLEGIBLE]** by BAXTER in [***] other THERAPEUTIC AGENTS, including data relating **[ILLEGIBLE]** the [***] (and protocols on the various techniques used), [***] **[ILLEGIBLE]** [***] stability data (including native proteins) and publications (patent and research papers)."

2. Add the following definition 1.75:

   "THIRD PARTY PRODUCT" means a product brought to the market by a third party which contains a THERAPEUTIC AGENT [***], (i) which product competes with a COMMERCIAL PRODUCT and (ii) which product does not infringe a VALID PATENT CLAIM.

3. Amend Article 8.3 by adding the statement, "and the term for paying such royalty [***] after – [***] –, and add the following paragraph between the first and second paragraphs:

   "The ROYALTY RATE shall [***] respect of COMMERCIAL PRODUCTS sold or supplied in a country where there exists a THIRD PARTY PRODUCT. In the event LIPOXEN and BAXTER [***] whether such THIRD PARTY PRODUCT infringes a VALID PATENT CLAIM, [***] LIPOXEN [***] and if LIPOXEN elects to bring an action against such THIRD PARTY PRODUCT [**ILLEGIBLE**] that such THIRD PARTY PRODUCT infringes a VALID PATENT CLAIM. In the event LIPOXEN succeeds [**ILLEGIBLE**] such action [***] LIPOXEN, which sums LIPOXEN [***] BAXTER.

4. Amend Article 8.4 by adding the following sentence:

   "In the event a THIRD PARTY PRODUCT is sold or supplied in a country in which a COMMERCIAL PRODUCT is sold or supplied then BAXTER's [***] FIRST COMMERCIAL SALE. In the event LIPOXEN and BAXTER [***] as to whether such THIRD PARTY PRODUCT infringes a VALID PATENT CLAIM, then [***] LIPOXEN [***] when and if LIPOXEN elects to bring an action against such THIRD

PARTY PRODUCT asserting that such THIRD PARTY PATENT infringes a VALID PATENT CLAIM. In the event LIPOXEN action then [***] All capitalized terms used herein which are not specifically defined in this Amendment shall have the meaning [**ILLEGIBLE**] forth in the R&L AGREEMENT.

5. The remaining terms of the R&L AGREEMENT shall remain in full force and [**ILLEGIBLE**].

6. This Amendment may be executed in more than one counterpart, each of which constitutes an original and [**ILLEGIBLE**] of which together shall constitute one enforceable agreement. For purposes of this Amendment and any other document required to be delivered pursuant to this Amendment, [**ILLEGIBLE**] of signatures shall be deemed to be original signatures. In addition, if any one of the PARTIES sign facsimile copies of this Amendment, such copies shall be deemed originals

IN WITNESS WHEREOF, the PARTIES hereto have caused their authorized representatives to execute this Amendment by signing below:

Signed:
For and on behalf of:
Lipoxen

Signature /s/ M. Scott Maguire
Name: M. Scott Maguire
Title: CEO

For and on behalf of:
Baxter Healthcare Corporation

Signature /s/ Joy A. Amundson
Name: Joy A. Amundson
Title: Corporate Vice President,
President BioScience

Signed:

For and on behalf of:
BAXTER HEALTHCARE SA

Signature /s/ F. de Freine
Name: F. de Freine
Title: Finance Director
Baxter Healthcare SA

/s/ Rebecca Binggeli
Rebecca Binggeli
Director of Tax, Europe
Baxter Healthcare SA

Exhibit 10.13

SECOND AMENDMENT TO EXCLUSIVE
RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT

This SECOND AMENDMENT TO EXCLUSIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT (this "Amendment") is made and entered into as of this 28TH day of May, 2009 by and among Lipoxen Technologies Limited, a company registered in England and Wales with company number 03401495 and having its registered office at London Bioscience Innovation Centre, 2 Royal College St., London NWI ONH, England ("Lipoxen"); Baxter Healthcare SA ("BHSA"), a corporation organized and existing under the laws of Switzerland, and Baxter Healthcare Corporation ("BHC") having its principal place of business at One Baxter Parkway, Deerfield, Illinois 60015 (BHSA and BHC collectively referred to as "Baxter") to amend the terms of that certain Exclusive Research, Development and License Agreement between the Parties dated August 15, 2005, which was amended pursuant to that certain amendment between the parties dated on or about December 15, 2006 (together the "Agreement"). Lipoxen and Baxter may be referred to herein individually as a "Party" and collectively as the "Parties."

BACKGROUND

WHEREAS, pursuant to Section 8.1 and Schedule III of the Agreement, Baxter is obligated to make a Milestone Payment in the amount of [***] upon (a) the formal selection of a lead candidate or if multiple products are developed simultaneously, co-lead candidates by the Research Committee or Baxter or (b) the entry into pre-clinical trials anywhere in the world (the "First Milestone Events");

WHEREAS, Lipoxen has proposed to Baxter that Lipoxen [***] upon the occurrence of either or both of such Milestone Events if Baxter [***] offering of Lipoxen PLC;

WHEREAS, Baxter has, as of the date of this Amendment, entered into that [***] agreement pursuant to which Baxter [***] or Lipoxen PLC in the amount of [***] the "Equity Investment");

WHEREAS, as a result of the [***] the Parties wish to amend the Agreement to clarify that Baxter has [***] the occurrence of either of the First Milestone Events.

NOW, THEREFORE, in consideration of the foregoing and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Incorporation of the Agreement. All capitalized terms which are not defined herein shall have the same meanings as set forth in the Agreement, and the Agreement, to the extent not inconsistent with this Amendment, is incorporated herein by this reference as though the same was set forth in its entirety. To the extent any terms and provisions of the Agreement are inconsistent with the amendments set forth in Paragraph 2 below, such terms and provisions shall be deemed superseded hereby. Except as specifically set forth herein, the Agreement shall remain in full force and effect and its provisions shall be binding on the parties hereto.

2. Amendment of the Agreement. The Agreement is hereby amended as follows

a. Amendment of [***] to the Agreement is [***] in its entirety and [***] with the schedule attached to this Amendment as Exhibit A.

b. For the avoidance of doubt, the parties acknowledge that Baxter [***] forth in [***] of the Agreement on or around 15 December 2006.

c. Amendment of Section 8.1.1. Section 8.1.1 [***] and shall be [***] with the following:

8.1.1 There shall be no multiple MILESTONE PAYMENTS for multiple products or multiple indications except that BAXTER shall be required to [***] MILESTONE PAYMENT in the event:

(i) BAXTER has entered into clinical trials for the development of a POTENTIAL PRODUCT for a specific label indication, and

(ii) BAXTER [***] purse the development of this or a different POTENTIAL PRODUCT with a different label indication within the FIELD, and

(iii) the termination of the development of the POTENTIAL PRODUCT in clinical trials is not due to the failure to meet satisfactory clinical endpoints (a "CLINICAL FAILURE").

In such event, [***] MILESTONE PAYMENT shall be due [***] lead candidates to be developed for the new label indication or the [***] anywhere in the world in relation to one or more different POTENTIAL PRODUCTS with the different label indication within the Field. Any label indication in the same disease area shall be considered the same label indication. For example, an indication for the "control of spontaneous bleeding episodes or to cover surgical interventions in Hemophilia A" and an indication for "the prevention and control of hemorrhagic episodes in Hemophilia A" shall be considered the same label indication.

For clarity, in the event BAXTER develops multiple POTENTIAL PRODUCTS with the same label indication, whether simultaneously or sequentially, whether in preclinical or clinical trials or launches multiple COMMERCIAL PRODUCTS with the same label indication, [***] pursuant to this Section 8.1.1 [***] In the event Baxter launches multiple POTENTIAL PRODUCTS with different label indications, whether simultaneously or sequentially, whether in preclinical or clinical trials or launches multiple COMMERCIAL PRODUCTS with different label indications, [***] pursuant to this Section 8.1.1 [***] In the event [***] the development of a POTENTIAL PRODUCT due to a [***] and [***] another POTENTIAL PRODUCT, whether in the same or different label indication(s), [***] pursuant to this Section 8.1.1 [***].

For example, if BAXTER [***] the development of a POTENTIAL PRODUCT with a targeted indication for [***] prior to initiating clinical trials and elects to develop a different POTENTIAL PRODUCT with a targeted indication of [***] then [***] pursuant to this Section 8.1.1 [***].

For example, If BAXTER [***] the development of a POTENTIAL PRODUCT with a targeted indication for [***] after initiating clinical trials, and there has been no CLINICAL [***] and elects to develop a different POTENTIAL PRODUCT with a targeted indication of [***] then, in addition to the other [***] MILESTONE PAYMENT pursuant to this Section 8.1.1 [***] Lipoxen upon the selection of the lead candidate or upon entry of the different POTENTIAL PRODUCT into pre-clinical trials anywhere in the world.'

3. Effectuation. The amendment to the Agreement contemplated by this Amendment shall be deemed effective as of the date first written above upon the full execution of this Amendment and without any further action required by the parties hereto on condition that [***]. If [***] by June 15, 2009 this Amendment shall expire.

4. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. One or more counterparts of this Amendment may be delivered by facsimile, with the intention that delivery by such means shall have the same effect as delivery of an original counterpart thereof.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Amendment as of the date first above written.

[Signature Page Follows]

BAXTER HEALTHCARE CORP.

By /s/ Joy A. Amundson
Name Joy A. Amundson
Title CVP / President Bioscience

BAXTER HEALTHCARE S.A.

By /s/ lgnacio Martinez de Lecea
Name lgnacio Martinez de Lecea
Title Corporate Counsel

By /s/ Sarah Byrne-Quinn
Name Sarah Byrne-Quinn
Title VP Bus Del

LIPOXEN TECHNOLOGIES LIMITED

By /s/ M. Scott Maguire
Name M. Scott Maguire
Title CEO

[Signature Page to Second Amendment]

Exhibit A

SCHEDULE III

MILESTONE EVENTS AND PAYMENTS

[***] set forth in Section 2.3, then, pursuant to Section 8.1, the following MILESTONE PAYMENTS [***] upon occurrence of the following MILESTONE EVENTS with respect to all POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS (as the case may be) (unless fully paid under Schedule IV):

MILESTONE EVENTS	[***]
IND acceptance (or European equivalent):	[***]
Completion of a Phase II clinical trial anywhere in the world:	[***]
Completion of a Phase III clinical trial anywhere in the world:	[***]
Regulatory approval:	
US	[***]
Europe	[***]
Sales milestones (in addition to any royalties payable):	
First year world-wide [***]	[***]
First year world-wide [***]	[***]
First year world-wide [***]	[***]

Exhibit 10.14

DATED AUGUST, 10 2010

LIPOXEN TECHNOLOGIES, LTD.

- and -

BAXTER HEALTHCARE CORPORATION AND BAXTER HEALTHCARE SA

AMENDMENT NUMBER FOUR TO THE EXCLUSIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT

DATE OF AMENDMENT NUMBER FOUR 10 AUGUST 2010

PARTIES

(1) **LIPOXEN TECHNOLOGIES, LTD.** whose registered office is at whose registered office at London Bioscience Innovation Centre, 2 Royal College St., London NWI ONH, England ("LIPOXEN").

(2) **BAXTER HEALTHCARE CORPORATION** having its principal place of business at One BAXTER Parkway, Deerfield, Illinois 60015 ("BHC")

(3) **BAXTER HEALTHCARE SA**, a corporation organized and exiting under the laws of Switzerland having its principal place of business at Hertistr.28304, Wallisellen, Switzerland ("BHSA")(BHC and BHSA collectively referred to as "BAXTER").

INTRODUCTION

(A) WHEREAS, LIPOXEN entered into an Exclusive Research, Development and License Agreement (hereinafter the "AGREEMENT") with BAXTER on August 15, 2005;

(B) WHEREAS, the PARTIES have amended the AGREEMENT pursuant to the previous amendment agreements set out in Schedule B of this AMENDMENT NUMBER FOUR ("AMENDMENT");

(C) WHEREAS, the PARTIES desire to further amend the AGREEMENT in accordance with and subject to the provisions of this AMENDMENT;

(D) WHEREAS, the AGREEMENT [***] to LIPOXEN in relation to BAXTER SOLE INVENTIONS and the PARTIES have agreed that in relation to those certain rights that LIPOXEN [***] provided that BAXTER [***] to LIPOXEN such that LIPOXEN [***] claimed any BAXTER SOLE INVENTIONS under the [***]

(E) WHEREAS, the AGREEMENT [***] to BAXTER in relation to LIPOXEN SOLE INVENTIONS and the PARTIES have agreed that in relation to certain of those rights that BAXTER, consistent with the terms of the AGREEMENT, [***] BAXTER under the AGREEMENT;

(F) WHEREAS, the PARTIES desire to work more closely with each other and have better exposure to those patent applications filed by either PARTY on a SOLE INVENTION.

NOW, THEREFORE, in consideration of the foregoing and the covenants and promises contained in this AMENDMENT and in accordance with and subject to the terms and conditions specified below the PARTIES agree as follows:

AMENDMENT OF THE AGREEMENT

The Parties hereby agree to amend the Agreement as provided below. Capitalized terms used in this Amendment that are not otherwise defined herein shall have the meanings provided in the Agreement.

1. "AMENDMENT COMMENCEMENT DATE" means August, 2010.

2. The Definitions are hereby amended with effect from the EFFECTIVE DATE to add the following Sections 1.75 and 1.76 as new definitions:

1.75 [***] means all BAXTER SOLE INVENTIONS that utilize or incorporate DELIVERY AGENTS, including but not limited to:- (a) [***] (i) to part (vi) of the LIPOXEN CORE TECHNOLOGY; and (b) [***] DELIVERY AGENTS with other [***].

1.76 [***] means all PATENTS and PATENT APPLICATIONS that (i) are owned by BAXTER, and (ii) include any claim that [***] INVENTIONS including, for the avoidance of doubt [***] PATENT RIGHTS. A PATENT or PATENT APPLICATION shall not be excluded from the definition of [***] PATENT RIGHTS if, in addition to claims relating to the [***] INVENTIONS, it also has claims to [***] DELIVERY AGENTS.

1.77 "EXISTING [***] PATENT RIGHTS" means the patent applications set out in Schedule A of this Agreement.

3. Section 1.35 is hereby amended with effect from the EFFECTIVE DATE by deleting the words "For the purposes of clarification, the LIPOXEN CORE TECHNOLOGY [***]."

4. Section 1.39 is hereby deleted in its entirely and replaced, with effect from the Effective Date, by the following:

1.39 "LIPOXEN PATENT RIGHTS" means all of the PATENTS and PATENT APPLICATIONS CONTROLLED by LIPOXEN, including those rights licensed to LIPOXEN by BAXTER within the [***] PATENT RIGHTS, which (i) pertain to [***] and [***]

POTENTIAL PRODUCTS or COMMERCIAL PRODUCTS, and (ii) [***] PRODUCTS or COMMERCIAL PRODUCT(S) pursuant to the license set forth in Section 3.1; including those contained in Schedule V of this Agreement, which excludes, for the avoidance of doubt, the MANUFACTURING TECHNOLOGY.

5. Section 13.4 is hereby amended with effect from the Effective Date to be Section 13.4.1 and by the insertion of the words "excluding the BAXTER SOLE INVENTIONS" after the words "SOLE INVENTIONS".

6. A new Section 13.4.2 is hereby included in the Agreement with effect from the Effective Date as follows:

13.4.2 [***] of BAXTER SOLE INVENTIONS and Licensure of [***] PATENT RIGHTS to LIPOXEN by BAXTER

13.4.2.1 Ownership. All BAXTER SOLE INVENTIONS (including the [***] INVENTIONS), and all intellectual property rights in them (including, without limitation, the [***] PATENT RIGHTS), [***] of BAXTER, even if any such BAXTER SOLE INVENTIONS/[***] [***] of the LIPOXEN CORE TECHNOLOGY. LIPOXEN shall cooperate in all respects to ensure that ownership of the BAXTER SOLE INVENTIONS [***] INVENTIONS is [***] BAXTER. Subject to the terms of this Section 13.4.2, BAXTER shall have the right to protect the BAXTER SOLE INVENTIONS [***] INVENTIONS in any manner that BAXTER [***] PATENT APPLICATIONS to be included in the [***] PATENT RIGHTS. BAXTER [***] INVENTIONS (or any PATENT or PATENT APPLICATION relating to the [***]) to a THIRD PARTY, an AFFILIATE or a SUBLICENSEE, without the consent of LIPOXEN other than in the circumstances set out in parts (i) to (iii) of Section 16 of the AGREEMENT, [***] (on terms reasonably acceptable to LIPOXEN) of the terms of the AGREEMENT to the relevant assignee/transferee.

13.4.2.2 Grant. BAXTER [***] to LIPOXEN [***] BAXTER), [***] PATENT RIGHTS to: (i) [***] (ii) [***].

13.4.2.3 Term of Grant. The term of the license rights granted to LIPOXEN under Section 13.4.2.2 [***]

PATENT RIGHTS. For the avoidance of doubt, [***] LIPOXEN under this Section 13.4.2 [***] AGREEMENT [***]

13.4.2.4 Right to Sublicense. From the EFFECTIVE DATE, LIPOXEN [***] Section 13.4.2.2 [***] Baxter unless [***] within the FIELD in which case LIPOXEN [***] AGREEMENT, be entitled to grant a sublicense of the rights within the FIELD to any person other than BAXTER. The PARTIES agree that for the term of the AGREEMENT, to the [***] FIELD pursuant to SECTION 3.1 of the AGREEMENT.

13.4.2.5 Control. The PARTIES acknowledge that for the purposes of the AGREEMENT, LIPOXEN shall CONTROL [***] BAXTER as set out in SECTION 13.4.2.4 above.

13.4.2.6 Assignment. LIPOXEN [***] 13.4.2.2 to any person to whom it assigns the AGREEMENT in accordance with Section 16 of the AGREEMENT.

13.4.2.7 Notification. BAXTER shall notify LIPOXEN in writing immediately if:- (a) BAXTER does not intend to file a PATENT APPLICATION in relation to a [***] (“ABANDONED [***] INVENTIONS”), or (b) BAXTER intends to abandon any [***] PATENT RIGHT (“ABANDONED [***]”). LIPOXEN shall have the right in its own name and at its sole expense to prosecute and maintain PATENT APPLICATIONS and PATENTS in relation to (he ABANDONED [***] INVENTIONS and to prosecute and maintain the ABANDONED [***] PATENT RIGHTS, in which case BAXTER hereby agrees to transfer and assign and shall transfer and assign to LIPOXEN its entire right, title and interest in and to such ABANDONED [***] INVENTIONS and ABANDONED [***] PATENT RIGHTS and the ABANDONED [***] INVENTIONS shall be treated as the SOLE INVENTION of LIPOXEN for the purposes of this AGREEMENT, including Sections 13.3, 13.4 and 13.6. Any notification under this Section 13.4.2.7 by BAXTER shall be given to LIPOXEN with sufficient time to enable LIPOXEN to exercise its rights under this Section.

13.4.2.8 Additional Filings. If BAXTER proposes to file (or has filed) a PATENT APPLICATION in relation to a [***] INVENTION and the application can or does include claims relating to DELIVERY AGENTS, LIPOXEN shall have the right but not the obligation in its own name and at its sole expense to file a PATENT APPLICATION as a new application, or as a divisional, continuation, or continuation-in-part (or via any other equivalent mechanism in any jurisdiction) of the original PATENT APPLICATION, which covers the relevant [***] INVENTION in so far as it relates solely and specifically to DELIVERY AGENTS and proteins which fall outside the FIELD (“DELIVERY AGENT CLAIMS”) and at LIPOXEN’S sole discretion, prosecute such PATENT

APPLICATION. BAXTER shall be allowed to [***] DELIVERY AGENT CLAIMS. BAXTER agrees [***] such DELIVERY AGENT CLAIMS to LIPOXEN and the INVENTIONS that are the subject of such DELIVERY AGENT CLAIMS [***] as SOLE INVENTIONS of LIPOXEN for the purposes of this Agreement, including Sections 13.3, 13.4 and 13.6. If LIPOXEN [***] a PATENT APPLICATION with DELIVERY AGENT CLAIMS, BAXTER [***] to [***] of such DELIVERY AGENT CLAIMS following which the INVENTION which is the subject of such PATENT APPLICATIONS [***] the SOLE INVENTION [***] BAXTER for the purposes of this AGREEMENT, including SECTIONS 13.3,13.5 and 13.6.

13.4.2.9 Broader Filings. In addition to LIPOXEN's rights pursuant to Section 13.4.2.8, if BAXTER [***] a PATENT APPLICATION [***] and LIPOXEN [***] PATENT APPLICATION [***] BAXTER, LIPOXEN shall notify BAXTER [***] BAXTER shall either:-

(a) [***] PATENT APPLICATION in [***] of LIPOXEN, where, in such case, LIPOXEN [***] PATENT APPLICATION, and any PATENT that issues there from per the terms of this Section, 13.4.2, and in particular, Sections 13.4.2.1 and 13.4.2.2; or

(b) [***] LIPOXEN [***] PATENT APPLICATION as a new application, or as a divisional, continuation, or continuation-in-part (or via any other equivalent mechanism in any jurisdiction) of the original PATENT APPLICATION, [***] DELIVERY AGENTS ("BROAD DELIVERY AGENT CLAIMS") and at Lipoxen's [***] PATENT APPLICATION. BAXTER [***] and [***] in and to such BROAD DELIVERY AGENT CLAIMS to LIPOXEN and the INVENTIONS that are the subject of such BROAD DELIVERY AGENT CLAIMS shall be treated as SOLE INVENTIONS of LIPOXEN for the purposes of Sections 13.3, 13.4 and 13.6 of this AGREEMENT.

13.4.2.10 Baxter name on Broader Filings. If LIPOXEN [***] PATENT APPLICATION pursuant to Section 13.4.2.9(b) of this AGREEMENT and the PATENT APPLICATION [***] to DELIVERY AGENTS, the relevant application shall be [***] of BAXTER and LIPOXEN and BAXTER shall [***] LIPOXEN [***] to the [***] PATENT APPLICATION and any PATENTS resulting from it. The PATENT APPLICATION shall be deemed to be a JOINT PATENT APPLICATION provided that:- (a) LIPOXEN shall still

[***] PATENT APPLICATION; and (b) despite the joint names on the PATENT APPLICATION only LIPOXEN [***] to BAXTER, [***] otherwise [***] PATENT APPLICATION which relate to DELIVERY AGENTS. If [***] LIPOXEN [***] such PATENT APPLICATION, by way of filing a divisional patent application or otherwise, such that the PATENT APPLICATION [***] DELIVERY AGENTS [***] polymers, LIPOXEN [***] the PATENT APPLICATION into LIPOXEN'S [***] PATENT APPLICATION shall be deemed to be a BROAD DELIVERY AGENT CLAIM for the purposes of SECTION 13.4.2.9(b). The PARTIES acknowledge that the patent application filed by LIPOXEN in the joint names of LIPOXEN and BAXTER on 20 July 2010, entitled "Glycopolysialylation of non-blood Coagulation Proteins" shall be [***] prior to the AMENDMENT COMMENCEMENT DATE.

13.4.2.11 Warranty. BAXTER warrants that as at the AMENDMENT COMMENCEMENT DATE:- (a) the EXISTING [***] PATENT RIGHTS are the only PATENTS and/or PATENT APPLICATIONS owned by BAXTER which [***] and (b) BAXTER is not [***] PATENT APPLICATION filed by BAXTER at the time of the AMENDMENT COMMENCEMENT DATE.

13.4.2.12 Terms of Sublicenses. To the extent [***] Lipoxen from a sublicensee specifically in respect of any of the [***] under Section 13.4.2.2, Lipoxen [***] to BAXTER [***] LIPOXEN specifically in respect of sublicensing the rights to the [***] PATENT RIGHT to a third party until such time as BAXTER has been [***]. For the purposes of this Section 13.4.2.10, the [***] for a specific [***] shall be deemed to be [***] BAXTER in the prosecution and/or maintenance of the relevant [***] PATENT RIGHT provided [***]. BAXTER shall keep up to date and detailed records [***] it [***] in relation to the [***] PATENT RIGHTS and shall, if asked in writing to do so by LIPOXEN, provide an [***], in relation to any and all [***] PATENT RIGHTS which are the subject of a sub-licence granted by LIPOXEN.

7. Section 13.5 is hereby amended with effect from the EFFECTIVE DATE by renumbering the Section as 13.5.1 and by inserting the words "[***] LIPOXEN SOLE INVENTIONS" after the words "SOLE INVENTlONS".

8. A new Section 13.5.2 is hereby included in the AGREEMENT with effect from the EFFECTIVE DATE as follows:-

13.5.2 Ownership of LIPOXEN SOLE INVENTIONS and rights of BAXTER therein:-

13.5.2.1 Ownership. All LIPOXEN SOLE INVENTIONS, and all intellectual property rights in them, [***] even if any such LIPOXEN SOLE INVENTIONS [***] BAXTER CORE TECHNOLOGY. BAXTER shall cooperate in all respects to [***] in LIPOXEN. Subject to the terms of this Section 13.5.2, LIPOXEN shall have the right to protect the LIPOXEN SOLE INVENTIONS in any manner that LIPOXEN deems appropriate including, without limitation, the filing of additional PATENT APPLICATIONS to be included in the LIPOXEN PATENT RIGHTS. LIPOXEN [***] (or any PATENT or PATENT APPLICATION relating to the LIPOXEN SOLE INVENTIONS) to a THIRD PARTY, an AFFILIATE or a SUB-LICENSEE, without the consent of BAXTER other than in the circumstances set out in parts (i) to (iii) of Section 16 of the AGREEMENT, in which case [***] (on terms reasonably acceptable to BAXTER) of the terms of the AGREEMENT [***].

9. Section 13.6 is hereby deleted in its entirety and replaced with effect from the Commencement Date by the following:

13.6 Each PARTY shall have sole discretion and right to prepare, file, prosecute, maintain and defend PATENT APPLICATIONS or PATENTS for INVENTIONS it solely owns under this AGREEMENT. However, pursuant to the following, the PARTIES [***]. [***] to SOLE INVENTIONS [***] with the right to prosecute each such PATENT APPLICATION [***] for a PATENT.

13.6.1 BAXTER'S [***] LIPOXEN's patent attorneys [***] PATENT APPLICATIONS relating to BAXTER SOLE INVENTIONS and [***] LIPOXEN'S [***] BAXTER SOLE INVENTION PATENT APPLICATIONS. Without prejudice to the generality of the above, BAXTER shall:-

(a) [***] in either the U.K. or the United States of America, prior to the contemplated filing of a PATENT APPLICATION relating to BAXTER SOLE INVENTIONS submit a substantially completed draft of the PATENT APPLICATION to LIPOXEN; and

(b) [***] LIPOXEN's [***] submissions [***] of PATENT APPLICATIONS relating to BAXTER SOLE INVENTIONS [***] which [***] the U.K. or the United States of America, prior to the due date of such official actions and submissions. .

13.6.2 LIPOXEN's [***] BAXTER's patent attorneys during the prosecution of PATENT APPLICATIONS relating to LIPOXEN SOLE INVENTIONS [***] BAXTER's [***] of such LIPOXEN SOLE INVENTION PATENT APPLICATIONS. Without prejudice to the generality of the above, LIPOXEN shall:-

(a) [***], which [***] in either the U.K. or the United States of America, prior to the [***] a PATENT APPLICATION relating to BAXTER SOLE INVENTIONS submit a substantially completed draft of the PATENT APPLICATION to LIPOXEN; and

(b) [***] BAXTER's patent attorneys on any official actions and submissions that arise during the prosecution of PATENT APPLICATIONS relating to LIPOXEN SOLE INVENTIONS no later [***], [***] in either the U.K. or the United States of America, [***] official actions and submissions.

10. The following sentence in Section 13.7 is hereby amended with effect from the Commencement Date by the following:

"[***] contemplated filing of such PATENT APPLICATION, the RESPONSIBLE PARTY [***] of the JOINT PATENT APPLICATION to the other PARTY for [***]."

and replaced with, having effect from the Commencement Date by the following:

"[***], [***] in either the U.K. or the United States of America, prior to the contemplated filing of such PATENT APPLICATION, the RESPONSIBLE PARTY [***] JOINT PATENT APPLICATION to the other PARTY for [***]"

11. A new Section 8.6 shall be inserted into the AGREEMENT with effect from the AMENDMENT COMMENCEMENT DATE as follows:

"8.6 BAXTER [***] that have yet to be [***] LIPOXEN pursuant to Section 8.3 of this AGREEMENT [***]

[***] a THIRD PARTY of [***] LIPOXEN and provided to BAXTER by LIPOXEN for the [***].”

12. A new Section 15.7.4 shall be inserted into the AGREEMENT with effect from the AMENDMENT COMMENCEMENT DATE as follows:

Section 15.7.4 of the Agreement shall be amended with effect from the Effective Date by the insertion of the following words at the start of the Section:- “With the exception of the licence granted by Baxter to Lipoxen pursuant to Section 13.4.2 [***]”.

13. Section 15.7.6 of the AGREEMENT shall be deleted in its entirety with effect from the EFFECTIVE DATE.

14. LIPOXEN [***] by BAXTER [***] and [***] without prejudice to any of the PARTIES other rights under the AGREEMENT, the PARTIES agree that SCHEDULE IV of the AGREEMENT shall be amended with effect from the EFFECTIVE DATE by inserting the amended dates as set out in the table below in place of the dates set out in the original AGREEMENT:-

Due Diligence Milestone Event	Original Date	Amended Date
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

15. From the AMENDMENT COMMENCEMENT DATE BAXTER shall use its best endeavours [***] LIPOXEN [***] the PARTIES.

16. Miscellaneous

a. Full Force and Effect. Except as expressly amended by this Amendment, the Agreement shall remain unchanged and continue in full force and effect as provided therein.

b. Entire Agreement of the Parties. This Amendment and the Agreement constitute the complete final and exclusive understanding and agreement of the BAXTER and LIPOXEN with respect to the subject matter of the

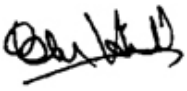
Agreement, and supersede any and all prior or contemporaneous negotiations, correspondence, understandings and agreements, whether oral or written, between BAXTER and LIPOXEN respecting the subject matter of the Agreement.

c. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. One or more counterparts of this Amendment may be executed my facsimile or other electronic means.

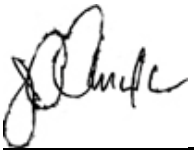
IN WITNESS WHEREOF, the parties hereto have executed this Amendment in duplicate originals by their authorized officers as of the Effective Date of the Amendment.

SIGNED by /s/ M. Scott Maguire for M. Scott Maguire
and on behalf of **LIPOXEN** CEO
TECHNOLOGIES, LTD. in the presence of:

Witness



Signature:
Name: [illegible]
Occupation: [illegible]
Address: [illegible]



SIGNED by for CVP/President Bioscience
and on behalf of **BAXTER**
HEALTHCARE CORPORATION
in the presence of

Witness

Signature: /s/ Alicia Webb
Name: Alicia Webb
Occupation:
Address:

SIGNED by for
and on behalf of **BAXTER**
HEALTHCARE SA
in the presence of

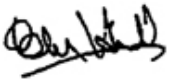
Witness

Signature:
Name:
Occupation:
Address:

IN WITNESS WHEREOF, the parties hereto have executed this Amendment in duplicate originals by their authorized officers as of the Effective Date of the Amendment.

SIGNED by /s/ M. Scott Maguire for M. Scott Maguire
and on behalf of **LIPOXEN** CEO
TECHNOLOGIES, LTD. in the presence of:

Witness



Signature:
Name: [illegible]
Occupation: [illegible]
Address: [illegible]

SIGNED by _____ for
and on behalf of **BAXTER**
HEALTHCARE CORPORATION
in the presence of

Witness

Signature:
Name:
Occupation:
Address:

SIGNED by /s/ Ignacio Martinez de Lecea for /s/ Sarah Byrne-Quinn
and on behalf of **BAXTER** Ignacio Martinez de Lecea Sarah Byrne-Quinn
HEALTHCARE SA Sr. Counsel ECEMEA VP Business Development & Strategy
in the presence of

Witness

Signature: /s/ Mario Schultz
Name: Mario Schultz
Occupation: Legal Assistant
Address: [illegible], 8304 Wallisellen

SCHEDULE B
PREVIOUS AMENDMENT AGREEMENTS

1. Amendment dated August 15 2005 between LIPOXEN and BAXTER relating to THIRD PARTY PRODUCTS ("AMENDMENT ONE")

2. Amendment signed on December 11 and 13 between LIPOXEN, BAXTER and SERUM INSTITUTE OF INDIA LIMITED relating to POLYSIAL1C ACID ("AMENDMENT TWO")

3. Document headed "Second Amendment to Exclusive Research, Development and Licence Agreement" dated May 2009 relating to the First Milestone Event ("AMENDMENT THREE")

Exhibit 10.15

DATED SEPTEMBER, 15 2010

LIPOXEN TECHNOLOGIES, LTD.

- and -

BAXTER HEALTHCARE CORPORATION AND BAXTER HEALTHCARE SA

AMENDMENT NUMBER FIVE TO THE EXCLUSIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT

PARTIES

(1) **LIPOXEN TECHNOLOGIES, LTD**. whose registered office is at London Bioscience Innovation Centre, 2 Royal College St., London NWI ONH, England ("LIPOXEN").

(2) **BAXTER HEALTHCARE CORPORATION** having its principal place of business at One BAXTER Parkway, Deerfield, Illinois 60015 ("BHC")

(3) **BAXTER HEALTHCARE SA**, a corporation organized and exiting under the laws of Switzerland having its principal place of business at Hertistr.28304, Wallisellen, Switzerland ("BHSA")(BHC and BHSA collectively referred to as "BAXTER").

INTRODUCTION

(A) WHEREAS, LIPOXEN entered into an Exclusive Research, Development and License Agreement (hereinafter the "AGREEMENT") with BAXTER on August 15, 2005;

(B) WHEREAS, the PARTIES have amended the AGREEMENT pursuant to four previous Amendment Agreements;

(C) WHEREAS, the PARTIES desire to further amend the AGREEMENT in accordance with and subject to the provisions of this AMENDMENT NUMBER FIVE ("AMENDMENT");

(D) WHEREAS, pursuant to Section 8.1 of the AGREEMENT and Schedule III, as amended in AMENDMENT NUMBER TWO, BAXTER [***] upon completion of the MILESTONE EVENT of "IND acceptance (or European equivalent)" (defined in this AMENDMENT as the "IND ACCEPTANCE MILESTONE PAYMENT");

(E) WHEREAS, the PARTIES have agreed that BAXTER [***] to LIPOXEN a [***] such [***] constituting [***] of the IND ACCEPTANCE MILESTONE PAYMENT;

(F) WHEREAS, LIPOXEN in recognition of BAXTER's [***] of the IND ACCEPTANCE [***] agrees to: (1) delete Schedule III as amended in AMENDMENT NUMBER TWO and replace said schedule with a new Schedule III as attached hereto this AMENDMENT, such that in recognition of the [***] the MILESTONE EVENT of "IND acceptance (or European equivalent" is no longer a [***] by BAXTER to LIPOXEN; and, (2) [***] the Due Diligence Milestone Dates by which BAXTER is to complete certain Due Diligence

Milestone Events, said Dates being set forth in Schedule IV, as amended by the Parties in a Letter Agreement on August 7, 2007 that was formalized in AMENDMENT NUMBER FOUR, so such Due Diligence Milestone Dates more [***] of a [***] and provide a sufficient time period if an [***] is required beyond the [***] Due Diligence Milestone Dates as set forth in this AMENDMENT;

(G) WHEREAS, LIPOXEN in recognition of BAXTER's [***] of the [***] has provided BAXTER a [***] which [***] with this AMENDMENT, for a [***] at an agreed upon [***] and the right, but not the obligation, of BAXTER [***] the [***] The terms of the [***] are conditional [***] shareholders of Lipoxen of a [***] of Lipoxen with authority to [***] being subject to [***] in relation to [***] at the next general meeting of Lipoxen. Lipoxen and in particular the directors of Lipoxen, undertake to use their best efforts to [***] of [***]. ([***] attached hereto as Exhibit C)

NOW, THEREFORE, in consideration of the foregoing and the covenants and promises contained in this AMENDMENT and in accordance with and subject to the terms and conditions specified below the PARTIES agree as follows:

AMENDMENT OF THE AGREEMENT

The Parties hereby agree to amend the AGREEMENT as provided below. Capitalized terms used in this AMENDMENT that are not otherwise defined herein shall have the meanings provided in the AGREEMENT.

1. "FIFTH AMENDMENT COMMENCEMENT DATE" means September 15, 2010.

2. Incorporation of the AGREEMENT. All capitalized terms which are not defined herein shall have the meaning as set forth in the AGREEMENT and the AGREEMENT, to the extent not inconsistent with this AMENDMENT, is incorporated here by this reference as though the same was set forth in its entirety. To the extent any terms and provisions of the AGREEMENT are inconsistent with the amendments set forth herein below, such terms and provisions shall be deemed superseded hereby. Except as specifically set forth herein, the AGREEMENT shall remain in force and effect and its provisions shall be binding on the parties thereto.

3. Upon entry of the PARTIES into this AMENDMENT, BAXTER a [***] LIPOXEN the [***] (the "[***]") no later than [***] following the FIFTH AMENDMENT COMMENCEMENT DATE. The PARTIES acknowledge that:- (a) payment of the [***] cannot be extended or deferred by the [***] referred to in Section 9.3 of the AGREEMENT; and (b) the obligations in this SECTION 3 of the AMENDMENT shall survive termination or expiry of the AGREEMENT.

4. The parties acknowledge that the value of the [***] is equivalent to the value of the [***] LIPOXEN hereby acknowledges that in return for [***] LIPOXEN agrees to:- (a) delete Schedule III, as amended in AMENDMENT NUMBER TWO, and replace it with the Schedule III attached hereto as Exhibit A as set forth *supra* in Section 5a of this AMENDMENT; and (b) amend Schedule IV attached hereto as Exhibit B as set forth *supra* in Section 5b of this AMENDMENT.

5. Amendment of the Agreement. The AGREEMENT is hereby amended as follows:

   a. Amendment of SCHEDULE III. SCHEDULE III to the AGREEMENT, as amended in AMENDMENT NUMBER TWO, is with effect from the FIFTH AMENDMENT COMMENCEMENT DATE deleted in its entirety and shall be replaced with the schedule attached to this AMENDMENT as Exhibit A.

   b. Amendment of SCHEDULE IV. SCHEDULE IV to the AGREEMENT, as amended in a Letter Agreement between the Parties on August 7, 2007, that was formalized in AMENDMENT NUMBER FOUR, is with effect from the AMENDMENT FIVE COMMENCEMENT DATE deleted in its entirety and shall be replaced with the schedule attached to this AMENDMENT as Exhibit B.

   c. The following definitions shall be inserted into the AGREEMENT with effect from the AMENDMENT FIVE COMMENCEMENT DATE:-

      "DUE DILIGENCE MILESTONE EVENT", "DUE DILIGENCE MILESTONE DATES" and "DUE DILIGENCE EXTENSION PAYMENTS" means the due diligence milestone events, the due diligence milestone dates and the payments to extend the DUE DILIGENCE MILESTONE DATES set out in SCHEDULE IV.

   d. With effect from the FIFTH AMENDMENT COMMENCEMENT DATE, the final sentence of SECTION 8.2 of the AGREEMENT (which commences with the words "BAXTER shall" and which ends with the words "milestone date") shall be deleted and shall be replaced by the following:-

   BAXTER shall:-

      (a) [***] DUE DILIGENCE EXTENSION PAYMENT [***] to DUE DILIGENCE MILESTONE 1 [***] MILESTONE PAYMENTS [***] to LIPOXEN under the AGREEMENT;

      (b) [***] DUE DILIGENCE MILESTONE EXTENSION PAYMENT (if paid) relating to DUE DILIGENCE MILESTONE 2 from any MILESTONE PAYMENT [***] anywhere in the world; and

(c) be entitled to [***] DUE DILIGENCE MILESTONE EXTENSION PAYMENT (if paid) [***] to DUE DILIGENCE MILESTONE 3 from any MILESTONE PAYMENT which [***]

e. SECTION 15.6 of the AGREEMENT shall with effect from the FIFTH AMENDMENT COMMENCEMENT DATE be amended by deletion of the final paragraph (which begins with the words “For purposes of clarification” and which ends in the words “(or European equivalent).”

6. Miscellaneous

a. **Full Force and Effect**. Except as expressly amended by this AMENDMENT, the AGREEMENT, and previous Amendments thereto, shall remain unchanged and continue in full force and effect as provided therein.

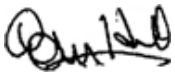
b. **Entire Agreement of the Parties**. This AMENDMENT and the AGREEMENT constitute the complete final and exclusive understanding and agreement of the BAXTER and LIPOXEN with respect to the subject matter of the AGREEMENT, and supersede any and all prior or contemporaneous negotiations, correspondence, understandings and agreements, whether oral or written, between BAXTER and LIPOXEN respecting the subject matter of the AGREEMENT.

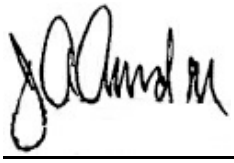
c. **Counterparts.** This AMENDMENT may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. One or more counterparts of this AMENDMENT may be executed my facsimile or other electronic means.

IN WITNESS WHEREOF, the parties hereto have executed this AMENDMENT in duplicate originals by their authorized officers as of the Effective Date of the AMENDMENT.

SIGNED by /s/ M. Scott Maguire for and on behalf of **LIPOXEN TECHNOLOGIES, LTD.** in the presence of:

M. Scott Maguire
CEO

Signature: 
Name: [illegible]
Occupation: [illegible]
Address: [illegible]

SIGNED by  for
and on behalf of **BAXTER HEALTHCARE CORPORATION**
in the presence of

Signature: /s/ Alicia Webb
Name: Alicia Webb
Occupation: Corp. Executive Assistant
Address: 1 Baxter Parkway
Deerfield IL 60015

SIGNED by _____ for
and on behalf of **BAXTER HEALTHCARE SA**
in the presence of

Signature:
Name:
Occupation:
Address:

IN WITNESS WHEREOF, the parties hereto have executed this AMENDMENT in duplicate originals by their authorized officers as of the Effective Date of the AMENDMENT.

SIGNED by _____ for
and on behalf of **LIPOXEN TECHNOLOGIES, LTD.** in the presence of:

Signature:
Name:
Occupation:
Address:

SIGNED by _____ for
and on behalf of **BAXTER HEALTHCARE CORPORATION**
in the presence of

Signature:
Name:
Occupation:
Address:

SIGNED by _____ for
and on behalf of **BAXTER HEALTHCARE SA**
in the precense of

Signature:	/s/ Ignacio Martinez de Lecea	/s/ Pauline Noisel
Name:	Ignacio Martinez de Lecea	Pauline Noisel
Occupation:	Corporate Counsel	Corporate Counsel
Address:		

EXHIBIT A

SCHEDULE III

MILESTONE EVENTS AND PAYMENTS

Assuming BAXTER has exercised the option as set forth in Section 2.3, then pursuant to Section 8.1, the following MILESTONE PAYMENTS shall be payable by BAXTER to LIPOXEN upon occurrence of the following MILESTONE EVENTS with respect to all POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS (as the case may be)(unless paid or part paid as set out in SECTION 8.2 of this AGREEMENT):

MILESTONE EVENTS	MILESTONE PAYMENTS
[***]	[***]

EXHIBIT B

SCHEDULE IV

DUE DILIGENCE MILESTONE EVENTS

BAXTER agrees to meet the due diligence milestone events set forth below by the corresponding date, or if extended, by the corresponding date plus the number of months shown.

Due Diligence Milestone	Due Diligence Milestone Event	Date by which Due Diligence Milestone Event must be met	PAYMENT to extend Due Diligence Milestone Event Date by the following number of months
1	[***]	[***]	[***]
2	[***]	[***]	[***]
3	[***]	[***]	[***]

EXHIBIT C

[***]

LIPOXEN PLC

(incorporated in England under the Companies Act 1985

under number 03213174)

Name(s) and address of holder	[***]
Baxter Healthcare S.A.	[***]
Hetristrasse 2	
8304 Wallisellen	
Switzerland	
	[***]
	[***]

LIPOXEN PLC ("THE COMPANY") HEREBY CERTIFIES that the above mentioned person is the [***] and is entitled, on the terms and subject to the conditions [***], to [***] in the Company.

EXECUTED AS A [***] BY THE

COMPANY

ACTING BY /s/ M. Scott Maguire M. Scott Maguire
CEO

IN THE PRESENCE OF:

/s/ Colin Hill
Director Colin Hill

1 INTERPRETATION

In and for the purposes of these Conditions and each Subscription Form headings to Conditions are for convenience only and do not affect their meaning and, unless the context otherwise requires:-

1.1 The following words and expressions have the following meanings:

"**Adjustment Event**"

means the event described in Condition 4.2;

"**Auditors**"

means the auditors for the time being of the Company, or if they are unwilling to act, an independent firm of accountants agreed between the Company and the [***] or, in the event that they are unable to agree [***] of either party making a proposal as to such firm, as determined by the president for the time being of the Institute of Chartered Accountants on application of either party;

"[***]"

means a notice in such form as the Company shall from time to time reasonably specify for the purpose of [***] to [***] represented by two or more [***] when [***]

"[***]"

has the meaning ascribed to it in Section 548 of the Companies Act 2006;

"[***]"

means the date on which the relative [***] shall have been delivered to the Company in accordance with Condition 3.1;

"[***]"

means [***] each in the Company;

"**Register**"

means the register maintained pursuant to Condition 6;

"**Registered Office**"

means London Bioscience Innovation centre, 2 Royal College Street, London, NW1 0NH or such other registered office of the Company as may from time to time be notified to the Warrantholder;

"**Specified Number**"

means the number of [***] pursuant to the [***] (as adjusted pursuant to Conditions 4.2 - 4.5 if applicable);

"[***]"

means the [***] of exchange for the purchase of pounds sterling with US dollars as published by Bloomberg;

"[***]"

means the form set out at the end of these Conditions or a Combined [***];

"[***]"

means in relation to any [***] such sterling figure as is calculated by multiplying the number of [***] to be [***] as a result of that exercise by the [***];

"[***]"

means the period from, and including, the day following the Company's next general meeting at which the Condition Precedent is satisfied, until, and including, the 30 June, 2015;

"[***]"

means pounds £ per Ordinary Share, calculated using the [***] of the [***] of the Company on the [***], [***] period ending on the [***] immediately prior to the date of this [***], or, following one or more Adjustment Event, such [***] as is so certified by the Auditors;

"[***]"

means the rights to [***] (to be converted into pounds sterling in accordance with the provisions of Condition 3.5) to [***] pursuant to Condition 2 at the [***];

"[***]"

means a certificate in respect of [***];

"[***]"

means [***] to be issued on [***];

"[***]"

means a person who is for the time being registered in the Register as the [***]

1.2 The Interpretation Act 1978 shall apply hereto in the same way as it applies to an enactment.

2 GRANT OF RIGHTS

2.1 Except for Condition 9, the terms of this [***] and in particular the granting of the [***] pursuant to clause 2.2 below are conditional upon [***] of the Company of a resolution to provide the directors of the Company with authority to [***] without being [***] in relation to [***], at the next general meeting of the Company (the "Condition Precedent").

2.2 Subject to the satisfaction of the Condition Precedent in connection with which the Company, and in particular the Directors of the Company, undertake to use their best efforts to satisfy by 30 June 2011, the Company [***] the [***] for the [***] at the [***] for each [***] exercised on the terms and subject to the conditions set out in these Conditions.

2.3 The Company hereby grants to the [***] the [***] as a [***] Company. [***] notice to the Company which shall take effect on delivery at its Registered Office or at any meeting of the Board or committee thereof and such appointment shall be subject to satisfaction of the due diligence checks required to be undertaken by the Company's [***] and to ratification by ordinary resolution at the next general meeting of the Company and the [***] with the terms of the Articles of Association of the Company. In the event that the [***] does not exercise its [***] of the date hereof [***]

3 [***]

3.1 Subject to satisfaction of the Condition Precedent the [***] may [***] all or some of its [***] at any time during the [***] by delivering a [***] representing [***] held by it to the Company at the Registered Office together with a duly completed [***], a remittance for the [***] and evidence satisfactory to the Company of the authority of the person signing the [***] on behalf of that [***]. The [***] shall be entitled to cancel a [***] with the consent of the Company (in which case the [***] shall be deemed not to have [***]) but not otherwise.

3.2 Subject to satisfaction of the Condition Precedent [***] may [***] all of its [***] on a change of control of the Company by delivering within [***] of such change of control a [***] representing [***] held by it to the Company at the Registered Office together with a duly completed [***] a remittance for the [***] and evidence satisfactory to the Company of the authority of the person signing the [***] on behalf of that [***] For the purposes of this section, change of control shall have the meaning as set out in s840 Income and Corporation Taxes Act 1988.

3.3 The Company shall [***] of the [***] against receipt of the [***] allot to the [***] such number of [***] as is calculated by dividing the pounds sterling figure produced by the number of [***] so exercised by the [***], (rounded down to the nearest integral number of [***]) on terms such that the [***] are credited as fully paid free from all liens, charges, encumbrances and equities whatsoever and with all benefits and rights attaching to them and rank for all purposes pari passu with the [***] already in [***] save that they will not rank [***] or other [***] declared in respect of a record date falling before th[***].

3.4 As soon as reasonably practicable following any [***] and, in any event, within [***] of the relative [***], the Company shall send to the [***]:

3.4.1 If the [***] has notified the Company that it intends to hold [***], a [***] for the [***] to which the [***] is entitled. The [***] may [***] into which the [***] can be delivered should that be the [***] preference in respect of such [***] and

3.4.2 a [***] in respect of the [***] previously represented by the [***] delivered pursuant to sub-condition 3.1 which then remain [***].

3.5 On the business day [***], the amount in US Dollars (US$) to be [***], at the [***], shall be converted to pounds sterling (£) [***].

4 COVENANTS BY THE COMPANY

4.1 Subject to satisfaction of the Condition Precedent at Condition 2.1 the Company shall, so long as any of the [***]:

4.1.1 during the [***] ensure that the Directors of the Company have the power to [***] as would enable the rights of the [***] hereunder and all other [***] for and [***] into [***] to be satisfied in full;

4.1.2 during the [***] at all times keep available [***] out of its authorised but [***] as would enable the rights of the [***] hereunder and all other rights of [***] for and [***] to be satisfied in full;

4.1.3 if any [***] is made to all holders of [***] (or all such holders other than the offeror and/or any company controlled by the [***] to acquire all or a proportion of the [***] forthwith give notice of such offer to the [***] at the same time as any notice thereof is [***] (or as soon as practicable thereafter) that details concerning such offer may be obtained from the Registered Office and use its reasonable endeavours [***] offer is extended in respect of any [***] issued during the period of the offer;

4.1.4 as long as the Company's [***] is listed on the [***] of the [***], or any other [***] as soon as reasonably practicable [***] of the [***], or other [***] for the [***] to be admitted to [***] such [***]

4.2 Upon the occurrence of a reorganisation or reclassification of the [***] of the Company by way of [***] or by way of a [***] Company's [***] (each an "**Adjustment Event**") after the date on which [***] is granted, the [***] and/or the [***] to be [***] of the [***] shall be adjusted either in such manner as the Company and the [***] agree in writing is appropriate or, failing agreement, in such manner as the Auditors shall certify is appropriate. For the purposes of this Condition 4.2, an adjustment to the [***] or the [***] shall be "appropriate" if, as a consequence of the adjustment, the [***] enjoys the same economic effect on the [***] as if the relevant Adjustment Event had not occurred or arisen. The Company and the [***] shall endeavour to agree any adjustment pursuant to this Condition 4.2 [***] of the Adjustment Event, failing which the adjustment shall be determined in writing at the Company's cost by the Auditors, in consultation with the Company and the [***] of the relevant Adjustment Event.

4.3 The Auditor's written determination pursuant to Condition 4.2 shall be binding on the Company and the [***] except in the case of manifest error.

4.4 Adjustments to the [***] and/or the [***] shall be [***] the relevant Adjustment Event was made.

4.5 Within [***] of any adjustment to the [***] and/or the [***] becoming effective the Company shall give notice to the [***] stating:-

4.5.1 the [***] and the [***] in effect immediately preceding the relative adjustment;

4.5.2 brief particulars of the event giving rise to the adjustment;

4.5.3 the amount of that adjustment;

4.5.4 the time from which that adjustment became effective; and

the [***] and the [***] immediately following that adjustment.

4.6 If an effective resolution is passed on or before the last day of the [***] for the voluntary winding-up of the Company then the terms of such scheme of arrangement shall be binding on all the [***] and the terms of this [***] instrument shall terminate and cease to be in force and of any effect

5 MODIFICATION OF RIGHTS

5.1 None of the rights for the time being attached to the [***] may from time to time be altered or abrogated without the consent of the [***]. Any such alteration or abrogation approved by the [***] shall be effected by deed poll executed by the Company and expressed to be supplemental to this [***].

6 REGISTRATION

6.1 The Company shall maintain a [***] the [***] and [***] of all [***] and the number of [***] held by the [***]. The Register shall be kept at the Registered Office.

6.2 [***] is not transferable without the Company's prior written consent.

6.3 Any change of name or address on the part of any [***] shall promptly be notified to the Company and thereupon the Register shall be altered accordingly. The [***] shall be entitled at all reasonable times during normal business hours to inspect the Register and to take copies thereof.

6.4 If a [***] is [***], it may be renewed on such terms (if any) as to evidence as the Company may require and, in the case of defacement or wearing out, surrender of the old certificate.

7 CERTIFICATION

7.1 Whenever, for whatever reason, these Conditions require that the Auditors certify any matter, the Company shall procure that the Auditors issue the required certificate.

7.2 The Auditors when acting pursuant to these Conditions shall be deemed to be acting as experts and not as arbitrators. Any certificate of the Auditors given pursuant to these Conditions shall, in the absence of manifest error, be conclusive as to the facts stated therein.

8 NOTICES, ETC.

8.1 All certificates, cheques and other documents required or permitted by these Conditions to be sent to the [***] or to which the [***] is entitled or which the Company shall have agreed to [***] may be delivered by hand or sent by post addressed to the [***] at its registered address or, in the case of joint [***], addressed to the joint holder first named in the Register at its registered address, and airmail post shall be used if that address is not in the same territory as the place of posting. All documents delivered or sent in accordance with this sub-condition shall be delivered or sent at the risk of the relative [***].

8.2 Except to the extent that they are inconsistent with these Conditions, all the provisions of the Articles of Association of the Company so far as they relate to notices given or to be given to [***] shall apply mutatis mutandis to notices to the [***].

9 GOVERNING LAW AND JURISDICTION

These Warrants and any non-contractual obligations arising from or in connection with them shall in all respects be governed by and interpreted in [***].

The parties irrevocably agree that the [***] are to have non-exclusive jurisdiction over any dispute (a) arising from or in connection [***] or (b) relating to any non-contractual obligations arising from or in connection [***].

[***]

To: LIPOXEN PLC

I/We wish to [***] of [***] represented by this [***] and [include a cheque made payable to the Company in] [shall pay by telegraphic transfer direct to the account of Lipoxen plc as noted below.

Bank: [***]

Account Name: [***]

Account No: [***]

IBAN [***]

SWIFT: [***]

the amount of [***] pounds (£[***])

Dated: [***] 20[***]

Signed: 1. _____ 2. _____

3. _____ 4. _____

Note:

1 This figure should be derived by multiplying the [***] by the [***] to be issued following the exercise. The number of [***] to be issued can be calculated by dividing the pounds sterling figure produced by the [***] will be [***]

2 The [***] represented by this [***] may, for purposes of their [***] be [***] with the [***] represented by [***] by use of a [***] which may be obtained from the Company.

3 Your attention is drawn to Condition 8 (which relates, inter alia, to the [***] following the [***]).

4 The Company will notify the [***] of the [***] upon request.

Exhibit 10.16

Execution Draft

SIXTH AMENDMENT
TO THE
EXCLUSIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT

This Sixth Amendment to Exclusive Research, Development and License Agreement (this "Sixth Amendment") is made and entered into as of this 29th day of January, 2014 by and among Baxter Healthcare SA, a Swiss corporation having a principal place of business at Postfach, 8010, Zurich, Switzerland (hereinafter "BHSA") Baxter Healthcare Corporation, a Delaware corporation having a principal place of business at 1 Baxter Parkway, Deerfield, Illinois ("BHC" and together with BHSA, "Baxter") and Lipoxen Technologies Limited, having a place of business at London Bioscience Innovation Centre, 2 Royal College Street, London NW1 ONH, England (hereinafter "Lipoxen") to amend the terms of that certain Exclusive Research, Development and License Agreement, dated August 15, 2005 among, Lipoxen and Baxter (the "Agreement") (as amended). Baxter and Lipoxen are each referred to herein as a "Party" and collectively as the "Parties".

BACKGROUND

WHEREAS, the Parties previously entered into the Agreement which set forth certain milestones, royalty rates and development timelines;

WHEREAS, the Parties have previously amended the Agreement pursuant to the Previous Amendment Agreements (defined below);

WHEREAS, the Parties desire to further amend the Agreement to [***] and other terms;

WHEREAS, concurrent with the execution of this Sixth Amendment, the Parties and/or their respective Affiliates are entering into certain additional agreements pursuant to which [***]; and

WHEREAS, the Parties agree that this Sixth Amendment will be conditional upon and will only come into force on the satisfaction of the Sixth Amendment Condition (as defined below).

NOW, THEREFORE, in consideration of the foregoing and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. General.

   a. Incorporation of the Agreement. All capitalized terms which are not defined herein shall have the same meanings as set forth in the Agreement, and the Agreement, to the extent not inconsistent with this Amendment, is incorporated

herein by this reference as though the same was set forth in its entirety. To the extent any terms and provisions of the Agreement are inconsistent with the amendments set forth in Section 3 below, such terms and provisions shall be deemed superseded hereby. Except as specifically set forth herein, the Agreement, as amended by the Previous Amendment Agreements (defined below) shall remain in full force and effect and its provisions shall be binding on the Parties hereto.

b. "Amendment One", "Amendment Two", "Amendment Three", "Amendment Four" and "Amendment Five" shall have the meanings given to them in Attachment A to this Sixth Amendment.

c. "Company" means Xenetic Biosciences PLC and/or any corporate entity resulting from the merger of Xenetic Biosciences PLC and a US publicly listed entity.

d. "Previous Amendment Agreements" shall mean, collectively, Amendment One, "Amendment Two, Amendment Three, Amendment Four and Amendment Five.

e. "Sixth Amendment" shall have the meaning set forth in the preamble.

f. "Sixth Amendment Commencement Date" shall mean the date upon which the Sixth Amendment Condition is satisfied in accordance with Section 2(b) of this Sixth Amendment.

g. "Sixth Amendment Condition" shall mean the condition described in Section 2(b) of this Sixth Amendment.

h. "[***]" shall mean the [***] dated on or around the Sixth Amendment Commencement Date between Xenetic Biosciences, Inc. and Baxter International Inc.

2. Condition to Amendment of the Agreement.

a. Once the Sixth Amendment Condition has been satisfied, the Agreement shall be amended with effect from the Sixth Amendment Commencement Date (or where specified the Effective Date) as set out in this Sixth Amendment.

b. This Sixth Amendment is [***] in [***] in the Company by way of [***] of the Company in accordance with the terms of the [***]

c. If the Sixth Amendment Condition is not satisfied by [***] the Parties agree that this Sixth Amendment shall automatically expire and shall cease to have any effect.

3. Amendment of the Agreement. Subject to the provisions of Section 2 of this Sixth Amendment, the Agreement is amended as follows:

   a. DELIVERY AGENTS. The definition of DELIVERY AGENTS shall be amended with effect from the EFFECTIVE DATE to delete the words "[***]" and to replace them with the words '[***]'.

   b. [***] With effect from the EFFECTIVE DATE, a new definition of [***] shall be added to the Agreement which shall read as follows:

      "[***] means any [***] of [***] which shall include but not be limited to, [***] which involve one or more [***]"

   c. "Section 1.61. Section 1.61 is hereby amended by deleting the previous text in its entirety and replacing it with the following:

      1.61 "ROYALTY RATE" means, for each calendar year:

      [***] which [***] to [***],

      [***] which [***] to [***]

      [***] which [***] to [***] and

      [***] which [***] and [***]

   d. Section 1.76. Section 1.76 (as set out in the Fourth Amendment) shall be amended by inserting the words "and/or any of its AFFILIATES" at the end of subclause (i).

   e. Section 1.77. Exhibit A delivered in accordance with the terms of Amendment Four will be updated as of the date of this Sixth Amendment which shall read in

its entirety as set forth in Attachment C attached hereto. Further, the warranty set out in Section 13.4.2.11 of the Agreement shall be deemed to be repeated by Baxter as at the Sixth Amendment Commencement Date with respect to the revised Exhibit A set forth in Attachment C (and, for the avoidance of doubt, the Sixth Amendment Commencement Date will replace the "AMENDMENT COMMENCEMENT DATE" in part (b) of the warranty).

f. Section 2.6. The Parties agree that notwithstanding the fact that the RESEARCH COMMITTEE has not met recently, that with effect from the Sixth Amendment Commencement Date the PARTIES will use commercially reasonable efforts to comply with the provisions of Section 2.6 of the AGREEMENT and that:

i. the number of representatives nominated by each PARTY shall be increased from two to three and Section 2.6 of the Agreement shall be deemed to amended accordingly with effect from the Sixth Amendment Commencement Date;

ii. the representatives of the PARTIES on the RESEARCH COMMITTEE will until further notice be as follows:

LIPOXEN	[***] [***] [***]
BAXTER	[***] [***] [***]

iii. the PARTIES agree that it shall be the obligation of each PARTY to keep the RESEARCH COMMITTEE reasonably informed of all material research and development conducted by either Party pursuant to the AGREEMENT and the second paragraph of Section 2.6 shall be amended accordingly;

iv. the penultimate paragraph of Section 2.6 shall be amended by deleting the words from "LIPOXEN shall update BAXTER" to and including the words "mutually agreed by the parties." which shall be replaced as follows:

> "the PARTIES agree that during the term of the AGREEMENT, the RESEARCH COMMITTEE shall conduct: (a) telephone conferences [***] and (b) [***], such [***] between the [***] in [***] and an [***]

a. Sections 2.7 and 2.8. New Sections 2.7 and 2.8 shall be added to the Agreement which shall read in its entirety as follows:

"2.7 Reporting. BAXTER shall provide the following written reports to LIPOXEN at the following times:

2.7.1 [***] of the Sixth Amendment Commencement Date, BAXTER will [***] to LIPOXEN [***] conducted by or on behalf of BAXTER pursuant to the Agreement, including the [***] or [***] by BAXTER in relation to any POTENTIAL PRODUCTS; and

2.7.2 thereafter, [***] of [***] during the TERM of the Agreement, BAXTER will [***] of the report referred to in Section 2.7.1 [***] of BAXTER pursuant to this Agreement since the previous written report provided to LIPOXEN under this Section 2.7.

2.8 Data. BAXTER [***] so by LIPOXEN [***] LIPOXEN in [***] which are [***] LIPOXEN under Section 2.7 of this AGREEMENT."

d. Section 8.3. The amendment set forth in Section 3 of Amendment One (relating to Section 8.3 of the Agreement) shall be deleted in its entirety and shall no longer have any force or effect.

e. Section 12.2. Section 12.2 shall be amended with effect from the Sixth Amendment Commencement Date by:

i. replacing the words "each PARTY" with the word BAXTER";

ii. replacing the words "[***] with the words '[***], and

iii. replacing the words '[***] with the words '[***]'.

f. Section 13.2. Section 13.2 of the Agreement shall be amended by deleting the final clause commencing with the words "provided, however," and ending "scope of the BAXTER CORE TECHNOLOGY" shall be deleted in its entirety and shall no longer have any force or effect.

g. Section 13.4.2.2. Section 13.4.2.2 is hereby amended by adding the following two sentences to the end of the existing text:

> "For the avoidance of doubt, the [***] LIPOXEN is [***] to BAXTER SOLE INVENTIONS [***] incorporate DELIVERY AGENTS. The license [***] to LIPOXEN [***] DELIVERY AGENTS, [***] PATENT RIGHTS [***] DELIVERY AGENTS and [***] which are not DELIVERY AGENTS in the same claim."

h. Section 13.6.1. Section 13.6.1 of the Agreement shall be amended by the deletion of the "." and the addition of a ';' and the word "and" at the end of part (b) and the addition of a new part (c) which shall read in its entirety as follows:

> "(c) [***] of [***] during the TERM, [***] of the [***]. The PARTIES agree that on [***] to LIPOXEN, BAXTER shall be deemed to [***] in Section 13.3.2.11 of the Agreement as at the date of delivery of the schedule and that the delivery date of the schedule shall replace the "AMENDMENT COMMENCEMENT DATE" in part (b) of the warranty."

i. Schedule III. Schedule III is hereby deleted in its entirety and replaced with the revised Schedule III set out in Attachment B of this Sixth Amendment.

j. Due Diligence Milestones and Schedule IV.

   i. Schedule IV is hereby amended by deleting the previous schedule in its entirety and replacing it with the schedule attached hereto as Attachment D.

   ii. the Parties agree that from the Sixth Amendment Commencement Date Section 8.2 of the Agreement shall be deleted in its entirety and shall no longer have any force or effect.

k. Termination. The Parties agree with effect from the Sixth Amendment Commencement Date that:

i. Section 15.6 of the Agreement shall be amended by deleting the words from "provided that" and ending "within a reasonable time frame)".

ii. Section 15.7.2 shall be amended by the addition after the words "by LIPOXEN pursuant to Section 15.3" of the following, "15.4 or 15.6".

iii. A new Section 15.8 shall be added, the terms of which are set out in Attachment D of this Sixth Amendment.

4. Conformed Copy. The Parties agree that they shall use their best endeavors to prepare and agree a conformed copy of the Agreement which incorporates all of the amendments to the Agreement pursuant to the Previous Amendments and this Sixth Amendment. Additionally, the conformed copy shall include a mutually agreed upon provision requiring the use of an alternative dispute resolution procedure or the use of experts to resolve disputes as to the achievement of any Milestone Event.

5. Press Release. On or shortly after the Sixth Amendment Commencement Date, each Party shall be entitled to issue the press releases set out in Attachment F of this Sixth Amendment and thereafter to use and refer to the contents of the press release.

6. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. One or more counterparts of this Amendment may be delivered by facsimile, with the intention that delivery by such means shall have the same effect as delivery of an original counterpart thereof.

[Signature Page Follows]

[Signature Page to Sixth Amendment]

IN WITNESS WHEREOF, the Parties have caused this Sixth Amendment to be executed by their duly authorized representatives as of the date first set forth above.

BAXTER HEALTHCARE SA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BAXTER HEALTHCARE CORPORATION

By: _____
Name: _____
Title: _____

LIPOXEN TECHNOLOGIES LIMITED

By: _____
Name: _____
Title: _____

Attachment A
Previous Amendment Agreements

1. Amendment dated August 15 2005 between LIPOXEN and BAXTER relating to THIRD PARTY PRODUCTS (“AMENDMENT 1”)
2. Letter Amendment signed on December 11 and 13 2006 between LIPOXEN and BAXTER and SERUM INSTITUTE OF INDIA LIMITED relating to POLYSIALIC ACID (“AMENDMENT TWO”)
3. Document headed “Second Amendment to Exclusive Research, Development and License Agreement” dated May 2009 relating to the First Milestone Event (“AMENDMENT THREE”)
4. Amendment Number Four to the Exclusive Research, Development and License Agreement dated August 10 2010 between LIPOXEN and BAXTER (“AMENDMENT FOUR”)
5. Amendment Number Five to the Exclusive Research and Development and License Agreement dated September 15 2010 between LIPOXEN and BAXTER (“AMENDMENT FIVE”)

Attachment B

Schedule III

The following MILESTONE PAYMENTS shall be payable by BAXTER to LIPOXEN upon the occurrence of the corresponding MILESTONE EVENTS with respect to all POTENTIAL PRODUCTS and COMMERCIAL PRODUCTS (as the case may be):

MILESTONE EVENT	MILESTONE PAYMENTS
Development Milestones	
[***]	[***]

For purposes of this Schedule III and the AGREEMENT the following definitions shall apply:

"PHASE 1/2 CLINICAL TRIAL" means a controlled clinical trial which combines a PHASE 1 CLINICAL TRIAL and a PHASE 2 CLINICAL TRIAL into a single protocol. Two sets of patients are dosed in a PHASE 1/2 CLINICAL TRIAL, the first set of patients generally being lower in number and representing "Part 1" of the trial, the second set of patients generally being higher in number and representing "Part 2" of the trial.

"SUCCESSFUL COMPLETION" shall mean, subject to the criteria descriptions labelled (A) and (B) below:

1. With respect to Part 1 of a PHASE 1/2 CLINICAL TRIAL, whichever is earlier to occur of the following: (a) commencement of Part 2 of a PHASE 1/2 CLINICAL TRIAL; (b) commencement of a PHASE 3 CLINICAL TRIAL; or (c) achievement of each of the following criteria:

    i. [***]

    ii. Safety and tolerability: comparable [***]

    iii. [***] single exposure) and no [***]

    iv. [***]

2. With respect to a PHASE 1 CLINICAL TRIAL, whichever is earlier to occur of the following: (a) commencement of a PHASE 2 CLINICAL TRIAL; (b) commencement of a PHASE 3 CLINICAL TRIAL; or (c) achievement of each of the following criteria:

    i. PK: 7/10 patients [***]

    ii. Safety and tolerability: [***]

    iii [***] single exposure) and no [***]

    iv. [***]

3. With respect to Part 2 of the PHASE 1/2 CLINICAL TRIAL, whichever is earlier to occur of the following: (a) commencement of a PHASE 3 CINICAL TRIAL; (b) first filing of a BLA: or (c) achievement of each of the following criteria:

    i. POTENTIAL PRODUCT pharmacokinetic parameters are compatible with [***]

    ii. Safety and tolerability: comparable [***]

    iii. [***]

    iv. [***]

    v. PHASE 1/2 CLINICAL TRIAL [***] for PHASE 3 CLINICAL TRIAL with a [***]

4. With respect to a PHASE 2 CLINICAL TRIAL, whichever is earlier to occur of the following: (a) commencement of a PHASE 3 CINICAL TRIAL; (b) first filing of a BLA; or (c) achievement of each of the following criteria:

    i. POTENTIAL PRODUCT pharmacokinetic parameters are compatible with [***]

    ii. Safety and tolerabity: [***]

    iii. [***]

iv. [***]

v. PHASE 2 CLINICAL TRIAL allows dose decision for PHASE 3 CINICAL TRIAL [***]

5. With respect to the PHASE 3 CLINICAL STUDY, whichever is earlier to occur of the following: (a) first filing of a BLA; or (b) achievement of each of the following criteria:

i. POTENTIAL PRODUCT pharmacokinetic parameters are compatible with [***]

ii. Median [***] with lx/week dosing regimen; efficacy in [***] omparable or better than [***]

iii. No [***] and [***]

iv. £2 subjects with [***]

Criteria Descriptions

(A) Criteria for determining whether "POTENTIAL PRODUCT pharmacokinetic parameters are compatible with [***]": this criteria description will be met if the POTENTIAL PRODUCT level, after administration of a usual clinical dose (clinically acceptable dose), does not [***] any time [***] period immediately following dosing with the POTENTIAL PRODUCT.

(B) Criteria for "[***] preexisting [***] means that the POTENTIAL PRODUCT does not cause a substantial [***] in [***]. "Substantial" shall mean, in each case, [***] in [***] or the [***] with a [***] above.

[***] shall have the same meaning given to it in Section 15.8.3.

Attachment C

EXHIBIT A
EXISTING [***] PATENT RIGHTS

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Attachment D
SCHEDULE IV
DUE DILIGENCE MILESTONE EVENTS

BAXTER agrees to meet the Due Diligence Milestone Events set forth below by the corresponding Milestone Date.

Due Diligence Milestone		Due Diligence Milestone Events	Milestone Date (1)
1	[***]		[***]
2	[***]		[***]
3	[***]		[***]

(1) BAXTER [***] set forth above for a period which is [***] for which there has been an occurrence and/or continuance of an [***].

"[***]" means the [***] as set forth above [***]: (a) an unexpected development issue involving safety, toxicity or manufacturing which issue was not known and could not have been known to BAXTER and/or its AFFILIATES as at the Sixth Amendment Commencement Date, (b) any delays in obtaining any Marketing Authorization from the applicable governmental/regulatory authority following submission therefor which are not caused by BAXTER and/or its AFFILIATES, or (c) any other delay agreed by both Parties (in their entire discretion) in writing to be an unanticipated, acceptable delay outside of the control of BAXTER. Notwithstanding the foregoing, BAXTER shall only be entitled to extend the MILESTONE DATE:

(a) if it notifies LIPOXEN in writing prior to the relevant MILESTONE DATE [***] and reasonably describes the relevant ACCEPTABLE DELAY; and

(b) for a period which BAXTER is able to prove by written records [***] caused by the ACCEPTABLE DELAY.

For the avoidance of doubt, the failure of Baxter to set forth the length of the [***] in its notice to LIPOXEN shall not be [***] nor shall it prohibit Baxter from [***] the MILESTONE DATE to the [***] ACCEPTABLE DELAY is continuing/ongoing provided that BAXTER shall immediately notify LIPOXEN in writing [***] relevant [***]

(2) "FINAL CSR PHASE 1/2" means the issue of a final clinical studies report after completion of Part 2 of a PHASE 1/2 CLINICAL TRIAL and/or completion of a PHASE 2 CLINICAL TRIAL, whichever is utilized.

Attachment E

NEW CLAUSE 15.8

15.8 Lipoxen's Rights on Termination and/or Expiry.

15.8.1 It is the intention of the PARTIES that following termination and/or expiry of this Agreement, LIPOXEN and its AFFILIATES shall be free to research, develop and exploit either themselves or via a THIRD PARTY products incorporating DELIVERY AGENTS within the FIELD and, in doing so, LIPOXEN, its AFFILIATES and their respective licensees shall be entitled to use and disclose all research and development carried out by and/or on behalf of the Parties pursuant to this Agreement with respect to products incorporating DELIVERY AGENTS and be free from any risk that BAXTER and/or any of its AFFILIATES will seek to use their respective rights to limit LIPOXEN'S activities relating to such products. The PARTIES acknowledge, however, that: (i) [***] to BAXTER and that the PARTIES do not intend LIPOXEN [***] relating specifically to the [***] and (ii) BAXTER is engaged in other programs involving [***] and [***] which are not DELIVERY AGENTS and the PARTIES [***] LIPOXEN [***] to confidential information, intellectual property and know-how developed under such programs. Accordingly the Parties agree that the provisions of this Section 15.8 shall apply on expiry of termination of this Agreement to give effect to the intention expressed in this Section 15.8.1.

15.8.2 On expiry and/or termination of this Agreement, BAXTER shall:

(i) disclose to LIPOXEN all KNOW HOW in the possession and control of BAXTER and/or its AFFILIATES as at the date of expiry and/or termination relating to DELIVERY AGENTS and/or CONJUGATES (including CONJUGATES [***] and DELIVERY AGENTS), developed under the Agreement (the "TERMINATION KNOW HOW"), which TERMINATION KNOW HOW shall include, but not be limited to:

a. results of all research, together with experimental protocols, conducted by or on behalf of BAXTER in relation to DELIVERY AGENTS and/or CONJUGATES pursuant to this Agreement;

b. manufacturing methods used by or on behalf of Baxter in relation to the DELIVERY AGENTS and/or CONJUGATES;

c. standard operating procedures relating to DELIVERY AGENTS and/or CONJUGATES;

d. analytical methods relating to DELIVERY AGENTS and/or CONJUGATES;

e. regulatory filings and dossiers relating to DELIVERY AGENTS and/or CONJUGATES;

f. all reports, memoranda and other documents summarizing the status of the program relating to DELIVERY AGENTS and/or CONJUGATES;

g. any results and any other relevant information that would affect the complete transfer of the TERMINATION KNOW HOW;

h. responses from regulatory authorities relating to DELIVERY AGENTS and/or CONJUGATES; and

i. feedback from consultants engaged in the research and development of DELIVERY AGENTS and/or CONJUGATES.

(ii) provide LIPOXEN with reasonable access for a reasonable period of time, but in [***], to individuals at BAXTER with information relating to and knowledge of the TERMINATION KNOW HOW and procure that such individuals reasonably assist LIPOXEN with the understanding and implementation of the TERMINATION KNOW HOW;

(iii) to the extent that LIPOXEN is not already licensed to use the respective rights under the terms of the AGREEMENT, [***] LIPOXEN and its AFFILIATES only for the LIPOXEN FIELD [***] to BAXTER), [***], [***] (a) the TERMINATION KNOW HOW; and (b) any and all PATENT APPLICATIONS and PATENTS encompassing the TERMINATION KNOW HOW [***] DELIVERY AGENTS in the LIPOXEN FIELD; and

(iv) undertake thereafter not to and to procure that its AFFILIATES shall not use any rights (including rights to PATENTS and/or PATENT APPLICATIONS) owned by and/or CONTROLLED by BAXTER and/or any of its AFFILIATES to restrict or prevent LIPOXEN, its AFFILIATES and/or their respective sub-licensees [***] in the LIPOXEN FIELD.

15.8.3 For the purposes of Section 15.8 and this AGREEMENT:

(i) "TERMINATION KNOW HOW" shall include KNOW HOW relating to DELIVERY AGENTS and/or CONJUGATES, including CONJUGATES of ADVATE® and DELIVERY AGENTS, but shall not include:

a. KNOW HOW that relates specifically to the [***]. By way of illustration, a regulatory dossier relating to a CONJUGATE of [***] and a DELIVERY AGENT may contain information relating to the

manufacture, safety and efficacy of the CONJUGATE itself, which will be TERMINATION KNOW HOW, but the dossier may also contain information relating to the manufacture, safety and efficacy of the [***] itself, which will not be TERMINATION KNOW HOW; or

b. KNOW HOW relating to soluble polymers other than DELIVERY AGENTS, which are being used in other BAXTER programs; for example, in BAXTER'S program [***].

(ii) '[***]' shall mean BAXTER'S [***] which [***] as at the Sixth Amendment Commencement Date; and

(iii) "LIPOXEN FIELD" shall mean pharmaceutical agents [***], the [***] a DELIVERY AGENT.

15.8.4 For the avoidance of doubt, the PARTIES agree that:

(i) the provisions of Section 10 of this Agreement shall not prevent the use or disclosure of CONFIDENTIAL INFORMATION of BAXTER, to the extent that such CONFIDENTIAL INFORMATION is TERMINATION KNOW HOW and such use is reasonably required to enable LIPOXEN, its AFFILIATES and their respective sub-licensees to exploit the license granted pursuant to Section 15.8.2(ii);

(ii) the license granted pursuant to Section 15.8.2(iii) shall not include a license to use any KNOW HOW, PATENTS and/or PATENT APPLICATIONS that relate specifically to [***] itself as opposed to KNOW HOW, PATENTS and/or PATENT APPLICATIONS which relate to CONJUGATES of [***] and DELIVERY AGENTS and/or to DELIVERY AGENTS developed under this Agreement, all of which shall be included under the license;

(iii) the [***] pursuant to Section 15.8.2(iii) [***] any KNOW HOW, PATENTS and/or PATENT APPLICATIONS that are developed pursuant to development programs of BAXTER involving [***] which are not DELIVERY AGENTS; and

(iv) the provisions set out in Section 15.8.2(iv) shall not apply to rights that relate specifically [***] itself, as opposed to rights which relate to CONJUGATES [***] and DELIVERY AGENTS and/or DELIVERY AGENTS themselves, in relation to which Section 15.8.2(iv) will apply.

Attachment F

PRESS RELEASE

Xenetic Biosciences Announces Restructured Licensing Agreement with Baxter Now Totaling Up to $100 Million, In Addition to $10 Million Equity Investment

LEXINGTON, MA: January 29, 2014: Xenetic Biosciences, Inc. (OTCBB: GAIFD), a biopharmaceutical company developing next-generation biologic drugs and novel oncology therapeutics, today announced that it has received a direct investment of $10 million from Baxter International, Inc. and has agreed to a restructuring of certain financial and timing aspects of its existing licensing deal with Baxter. The amended license agreement includes increased contingent milestone payments, now totaling up to $100 million, as well as increased royalties on sales.

"We are extremely pleased by Baxter's commitment to Xenetic and to our longstanding collaboration to develop polysialylated blood coagulation factors using Xenetic's unique technology," said Scott Maguire, Chief Executive Officer of Xenetic. "The new terms in our agreement represent enhanced economics for Xenetic. Additionally, we expect to utilize the capital resulting from Baxter's equity investment to further advance our development pipeline programs, particularly in the orphan drug arena, which feature a number of potential near-term, value-creating clinical milestones. This important new investment from our leading license partner is a genuinely dynamic development for the Company as we start our new life in the United States and it augurs well for our future in the world's leading economy and pharmaceutical market."

Brian Goff, head of Baxter's hemophilia organization, commented, "Through our Xenetic partnership, we are seeking to identify and ~~introduce~~develop a treatment that ~~most~~the majority of hemophilia patients could administer ~~once weekly or~~ less frequently, potentially at once weekly intervals, without compromising efficacy. Our investment in Xenetic reflects our continued commitment to the hemophilia community and to our pursuit of a bleed-free world."

In August 2005, Xenetic and Baxter established an exclusive worldwide agreement to develop novel forms of polysialylated blood coagulation factors, including Factor VIII, using Xenetic technology to conjugate polysialic acid (PSA) to therapeutic blood-clotting factors. The goal of the program is to improve the pharmacokinetic profile and extend the active life of these factors, thereby improving upon existing therapies and increasing quality of life of patients.

About Xenetic Biosciences

Xenetic Biosciences is a biopharmaceutical company developing next-generation biologic drugs and novel oncology therapeutics. Xenetic's proprietary drug technology platforms include PolyXen® for creating next generation biologic drugs by extending the efficacy, safety and half-life of biologic drugs and OncoHist® for the development of novel oncology drugs focused on orphan indications. Xenetic's lead product candidates include ErepoXen®, an improved, polysialylated form of erythropoietin (EPO) for the treatment of anemia in pre-dialysis patients with chronic kidney disease and OncoHist®, a recombinant human histone H1.3 molecule which Xenetic is developing for the treatment of refractory Acute Myeloid Leukemia (AML). Xenetic is developing a novel series of polysialylated blood coagulation factors through its license agreement with Baxter International Inc. Xenetic is also developing a broad pipeline of clinical candidates for next generation biologies and novel oncology therapeutics in a number of orphan disease indications. For more information, please visit the company's website at www.xeneticbio.com.

Forward-Looking Statements

Certain statements in this press release are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words such as "anticipate," "believe," "forecast," "estimate" and "intend," among others. These forward-looking statements are based on Xenetic's current expectations and actual results could differ materially. There are a number of factors that could cause actual events to differ materially from those indicated by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to,

uncertainties associated with completing preclinical and clinical trials for our technologies; the early stage of product development; the significant costs to develop our products as all of our products are currently in development, preclinical studies or clinical trials; obtaining additional financing to support our operations and the development of our products; obtaining regulatory approval for our technologies; anticipated timing of regulatory filings and the potential success in gaining regulatory approval and complying with governmental regulations applicable to our business. Xenetic does not undertake an obligation to update or revise any forward-looking statement. The information set forth herein speaks only as of the date hereof.

Contact:

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+44 (0)20 3021 1500
g.fry@xeneticbio.com

www.xeneticbio.com

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FOR IMMEDIATE RELEASE

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Brian Kyhos
(224) 948-5353, media@baxter.com

Investor Contact
Mary Kay Ladone, (224) 948-3371

BAXTER ANNOUNCES RESTRUCTURED AGREEMENT WITH XENETIC BIOSCIENCES, FURTHER BOLSTERING ITS BROAD BLEEDING DISORDER PIPELINE

DEERFIELD, III., JANUARY ~~29,~~30, 2014 – Baxter International Inc. (NYSE:BAX) has restructured its ongoing agreement with Xenetic Biosciences, Inc. (OTCBB: GAIFD) for the development of BAX 826, a recombinant Factor VIII treatment for hemophilia A under investigation to assess its potential to extend the half-life and duration of effectiveness. This program complements the company's current development programs, which are focused on improving the pharmacokinetic profile and extending the half-life of blood coagulation factors, including Factor VIII.

"Through our Xenetic partnership, we are seeking to identify and ~~introduce~~develop a treatment that the majority of hemophilia patients could administer ~~once weekly or~~ less frequently, potentially at once weekly intervals, without compromising efficacy," said Brian Goff, head of Baxter's global hemophilia organization. "We are focusing our efforts on using a range of

technologies to introduce new therapies and enhancements to existing therapies, each designed to improve the patient experience as we pursue our vision of a bleed-free world."

Xenetic and Baxter previously established an exclusive worldwide agreement to develop novel forms of polysialylated blood coagulation factors, including Factor VIII, using Xenetic's proprietary polysialic acid (PSA) technology. Under the terms of the restructured arrangement, Baxter will make ~~a $10 million~~an equity investment in the common stock of Xenetic and has agreed to make contingent milestone payments as well as pay royalties on future sales.

This agreement further demonstrates Baxter's long-standing commitment to innovation in hemophilia, and bolsters the company's broad R&D pipeline focused on a variety of challenging bleeding disorders. For example, Baxter recently announced the completion of enrollment in a Phase III clinical trial of BAX 855, its investigational, extended half-life, recombinant Factor VIII (rFVIII) treatment for hemophilia A. The company continues to expect to file for regulatory approval for BAX 855 in the United States by the end of 2014.

The company is also advancing a number of other treatments and early-stage R&D programs, including the study of BAX 335, an investigational Factor IX gene therapy treatment for hemophilia B. The vector-based technology, which provides a mechanism for the patient's own liver to begin

producing Factor IX following a single dose of the genetically engineered treatment, has the potential to re-define the concept of longer-acting therapy. A Phase I/II open-label clinical trial to assess the safety and optimal dosing schedule of BAX 335 is underway and the first patients have been dosed.

About Baxter in Hemophilia

Baxter has more than 60 years experience in hemophilia and has introduced a number of therapeutic firsts for hemophilia patients. Baxter has the broadest portfolio of hemophilia treatments in the industry and is able to meet individual therapy choices, providing a range of options at each treatment stage. The company's work focuses on optimizing hemophilia care and improving the lives of people worldwide living with bleeding disorders.

About Baxter International Inc.

Baxter International Inc., through its subsidiaries, develops, manufactures and markets products that save and sustain the lives of people with hemophilia, immune disorders, cancer, infectious diseases, kidney disease, trauma and other chronic and acute medical conditions. As a global, diversified healthcare company, Baxter applies a unique combination of expertise in medical devices, pharmaceuticals and biotechnology to create products that advance patient care worldwide.

This release includes forward-looking statements concerning developments to Baxter's R&D pipeline, including the development agreement between Baxter International Inc. and Xenetic Biosciences, Inc. Such statements include expectations with regard to clinical trials, regulatory filings, the impact of new treatments to patients, and potential payments under the development agreement. The statements are based on assumptions about many important factors, including the following, which could cause actual results to differ materially from those in the forward-looking statements: satisfaction of regulatory and other requirements; actions of regulatory bodies and other governmental authorities; clinical trial results; changes in laws and regulations; product quality or patient safety issues; and other risks identified in Baxter's most recent filings on Form 10-K and other SEC filings, all of which are available on Baxter's website. Baxter does not undertake to update its forward-looking statements.

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MASTER CLINICAL RESEARCH SERVICES AGREEMENT

This Master Clinical Research Services Agreement ("Agreement") made this 6th day of February 2013 ("Effective Date") by and between Novotech (Australia) Pty Limited with principal offices located at Level 3, 235 Pyrmont Street, Pyrmont, NSW 2009 Australia ("Novotech"), and Xenetic Biosciences Plc, with principal offices located at Greener House, 66-68 Haymarket, London, W 1Y 4RF, ("Company").

WHEREAS, Novotech is a research organization engaged in the business of providing clinical trial, contract clinical, and other related services; and

WHEREAS, Sponsor is an organization engaged in the business of developing pharmaceutical, biotechnology, and/or device products for human therapeutic use; and

WHEREAS, Sponsor may wish to retain the services of Novotech from time to time to perform **clinical research and related services in connection with certain clinical research projects Sponsor is** conducting (individually, a "Project"), as more fully set forth in various project agreements to be attached to this Agreement and incorporated herein by reference ("Project Agreements"); and

WHEREAS, Novotech is willing to provide such services to Sponsor in accordance with the terms and conditions of this Agreement and attached Project Agreements.

NOW, THEREFORE, for good and valuable consideration, the exchange, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Project Agreements.

In the event that the parties hereto shall reach agreement with respect to a particular Project, a Project Agreement for said Project shall be attached to this Agreement and shall, collectively with this Agreement, independent from other Project Agreements, constitute the entire agreement for the specific Project. No Project Agreement shall be attached to this Agreement without first being executed by the parties hereto. In the event of a conflict between the terms of this Agreement and a Project Agreement, the terms of this Agreement shall govern unless and to the extent that such Project Agreement explicitly states in bold type that it is amending provisions of this Agreement and specifies, in each instance, the provisions of such Project Agreement that amend this Agreement. Any such amendment shall apply only to the Project(s) pertaining to such Project Agreement and shall not act as an amendment of this Agreement as it relates to any prior or subsequent Project Agreement.

2. Services to be Performed.

(a) In performing the Services associated with an individual Project Agreement ("Services"), Novotech shall comply with this Agreement, the applicable Project Agreement, the written instructions of Sponsor, standard operating procedures provided by or approved by Sponsor, relevant professional standards and all applicable laws, rules and regulations including, but not limited to, the Federal Food, Drug and Cosmetic Act and the regulations promulgated pursuant thereto, the applicable Project Protocol ("Protocol"), said Protocol to be attached to Project Agreement as Exhibit A, and shall use commercially reasonable efforts to monitor the administration of the Project in accordance with the Protocol.

(b) Included in each Project Agreement shall be a detailed and specific transfer of obligations from a Sponsor to Novotech as required by 2 I CFR 3 I 2.52. Any obligations of the Sponsor not specifically transferred to Novotech under said section shall remain the responsibility of the Sponsor.

(c) With respect to any work not set forth in the Scope of Work, attached to a Project Agreement ("Out of Scope" work or services), Sponsor will compensate Novotech only for Out of Scope work that has been authorized by Sponsor in writing.

Novotech shall provide Sponsor with a written budget proposal for any Out of Scope services as soon as possible after the receipt of written authorization by Sponsor to commence such services. The parties agree to use reasonable best efforts to diligently negotiate in good faith a mutually acceptable budget for the Out of Scope services in a timely manner.

(d) Each work assignment shall be governed by the terms and conditions of this Agreement and by such supplementary written amendments of this Agreement or Exhibits as may be, from time to time, executed between the parties. In the event of a conflict between the terms of this Agreement and an Exhibit, the terms of this Agreement shall govern.

3. Payment.

(a) A budget ("Budget") and schedule of payments ("Payment Terms") reflecting the performance of the Scope of Work shall be included in each Project Agreement attached to this Agreement. Except as otherwise expressly provided in the applicable Project Agreement, Novotech shall submit to Sponsor invoices reflecting the Payment Terms and Sponsor shall pay all invoiced amounts, net of bank fees, within thirty (30) days of date of receipt. In addition, I 5% of service fees in the agreed budget will be invoiced by Novotech at the commencement of each Project Agreement to allow for project setup by Novotech. These funds will then be reconciled against Novotech's final service invoice to Sponsor at the conclusion of the Project with any excess funds received above the agreed budget to be returned by Novotech to Sponsor within thirty (30) days of conclusion of Project.

(b) In the event any Project Agreement, or this Agreement, is terminated pursuant to Section 5 of this Agreement, Novotech shall be compensated for all fees and costs due pursuant to a Project Agreement(s) at the date of termination, including any mutually agreeable costs associated with the termination and properly incurred non-cancelable fees and costs pursuant to the Protocol(s), as demonstrated in the applicable Project Agreement Budget(s).

(c) Inflation- for all projects exceeding twelve (12) months in duration, the agreed budget will automatically be adjusted at each anniversary of Project commencement by the previous year's inflation rate as indicated by the Australian Bureau of Statistics Consumer Price Index (CPI) and service invoices under the agreed budget will be adjusted by the said inflation rate until the next anniversary of Project **commencement.**

(d) Payments to Novotech shall be made to:

Institution Name:	Novotech (Australia) Pty Limited
Institution Address:	Level 3, 235 Pyrmont Street Pyrmont NSW2009 Australia

Person to Contact:	Brad Campbell
Name of Bank:	Commonwealth Bank of Australia
Bank Address:	443 Victoria Avenue Chatswood NSW 2067 Australia
Bank SWIFT Code:	CTBAAU2S
Name on Bank Account:	Novotech Communications
Bank Account Number:	062-140 1014 0369
Tax ID#:	not applicable

(e) Upon request, Novotech agrees promptly to provide documentation, which reasonably substantiates any amount invoiced hereunder. Taxes (and any penalties thereon) imposed on any payment made by Sponsor to Novotech shall be the responsibility of Novotech.

(f) Sponsor shall reimburse Novotech for reasonable and customary pass-through costs in accordance with the Budget that the Project Team is required to incur in providing contracted services. Novotech will be reimbursed for actual expenses incurred as supported in writing.

(g) Novotech shall maintain complete, true and accurate records of expenses in performance of the Services. Sponsor shall have the right at its expense to audit Novotech's books and financial records for the purpose of verifying, (i) Novotech' s expenses incurred by Novo tech in performance of the Services, (ii) Novotech's invoices to Sponsor or (iii) compliance by Novotech on other respects with this **Agreement.**

4. Investigator Incentives and Payments.

(a) Investigator Incentives. Novotech shall not offer and/or deliver any incentives of any kind to a Principal Investigator or its staff working on Sponsor's Project for a particular Study without the prior written approval of Sponsor.

(b) Investigator Payments. If Novotech will be paying Investigators on behalf of Sponsor, Novotech will provide Sponsor with an estimate of the funding required for this purpose for each calendar quarter not later than 45 (forty-five) days prior to the start of said quarter. Sponsor will transfer the required funding to Novotech not Jess than three days prior to the beginning of the quarter. Investigator payments will be subject to the terms detailed in the Clinical Research Agreement attached to the Project Agreement. Should additional funds be required in a quarter, Novotech will submit a request to Sponsor with appropriate documentation as soon as practicable. If not all funds are projected to be disbursed by the end of a given quarter, Novotech will adjust the forecast for the following quarter accordingly. Novotech will provide Sponsor with an accounting of funds disbursed to Investigators. In addition, a "float" amount equivalent to 10% of all projected investigator payments will be provided to Novotech at **the commencement of the project to ensure any upfront site payments and ongoing payment requirements** can be met promptly to ensure performance standards expected from study sites.

5. Term and Termination.

(a) The term of this Agreement shall commence as of the Effective Date first written above and shall end on the day five (5) years from the Effective Date unless earlier terminated in accordance with this Section 5. This Agreement shall be renewable upon terms and conditions mutually acceptable to the parties hereof. Project Agreements shall commence upon the date of complete execution by the parties and shall terminate upon the completion of Services unless earlier terminated in accordance with this Section 5. In the event a Project's timeline under this Agreement extends longer than the terms of this Agreement, an agreement will be drafted and signed by both parties amending the expiration date of this **Agreement.**

(b) Sponsor may terminate this Agreement and/or any Project Agreement without cause upon ninety (90) days prior written notice. In addition, either party upon ninety (90) day's prior written notice may terminate this Agreement and/or any Project Agreement if the other party commits a material breach of this Agreement, which breach is not cured within such ninety (90) day period. The termination of this Agreement by either party shall automatically terminate any and all Project Agreements.

(c) Upon termination of this Agreement or a Project Agreement pursuant to this Section 5, Novotech agrees to cooperate with Sponsor to provide for an orderly wind-down of the Services provided by Novotech hereunder.

(d) In the event this Agreement or any Project Agreement shall terminate, Novotech shall be compensated as set forth in Section 3(b).

(e) The obligations of the parties contained in Section 5, 7, 8, 9, 10, 11 and 13 hereof shall survive termination of this Agreement.

6. Personnel and Subcontracting.

(a) Novotech shall perform the Services with respect to each Project under the direction of the Project Manager. Novotech shall be obligated at all times to provide a sufficient number of trained clinical research personnel on a given Project in accordance with the Project Agreements.

(b) Sponsor agrees that Novotech may utilize the services of corporate affiliates, who are approved by Sponsor prior to such assignment or delegation, to fulfill Novotech's obligations under such Project Agreement. Any affiliates so utilized shall be subject to all of the terms and conditions applicable to **Novotech under this Agreement, including, without limitation, provisions establishing standards of** performance.

(c) If a particular Project Agreement obligates Novotech to contract with investigators or **investigative sites (collectively, investigators') or facilitate Sponsor's contracting with Investigators (or** other independent contractors such as central labs), then any such contract shall be on a form mutually **acceptable to the Sponsor and Novotech, which contract shall include, without limitation, provisions** addressing the specific duties and standards of the parties, confidentiality, indemnification, ownership of property and patent rights, debarment certification and insurance coverage.

7. Confidential and Proprietary Information.

(a) All information, documents and data resulting from the performance of Novotech under this Agreement, excluding any proprietary information of Novotech, shall be the sole property of the Sponsor.

Following completion of the Services outlined in the applicable Project Agreement, Novotech shall promptly return Confidential Information, client data or other materials furnished to Novotech.

(b) During the term of this Agreement and for a period ten (10) years after termination of this Agreement, Novotech shall not disclose or use for any purpose other than performance of this Agreement, any and all trade secrets, know-how, privileged records or other confidential or proprietary information and data, both technical and non-technical, disclosed to Novotech by Sponsor or developed by Novotech (collectively, "Confidential Information") pursuant to this Agreement. The obligation of non-disclosure shall not apply to the following:

(i) Information at or after such time that it is or becomes publicly available through no fault of Novotech;

(ii) Information that is already independently known to Novotech without obligation of confidentiality, as evidence by its prior written records;

(iii) Information at or after such time that it is disclosed to Novotech on a non-confidential basis by a third party with the right to do so;

(iv) Information that results from research and development by Novotech totally independent of disclosures of such Information by Sponsor as evidence by Novotech's contemporaneous written records; or

(v) Information that is disclosed pursuant to any judicial or government request, requirement or order, provided that Novotech takes reasonable steps to provide Sponsor with sufficient prior notice in order to allow Sponsor to contest and/or limit the required response to such request, requirement or order.

(c) The Confidential Information shall be kept strictly confidential and shall not be disclosed to any third party in any manner whatsoever, in whole or in part, without first obtaining Sponsor's prior written consent to such disclosure, which Sponsor may withhold at its sole discretion. Novotech may disclose Confidential information on a need-to-know basis only to its employees and consultants who have entered into written agreements which impose, or who are otherwise bound by, restrictions upon the Confidential information that are at least equivalent to those imposed hereunder.

(d) At any time upon the request of Sponsor, or upon termination of this Agreement, Novotech shall promptly return to Sponsor the Confidential Information or any part thereof, including all copies thereof. At Sponsor's request, the Confidential information that is otherwise required to be returned to Sponsor shall be destroyed and such destruction shall be certified in writing to Sponsor by an authorized officer of Novotech. The return and/or destruction of such Confidential Information as provided above shall not relieve Novotech of its other obligations under this Agreement. Novotech may retain one copy of the Confidential Information for archival purposes.

(e) Sponsor shall keep strictly confidential any information disclosed to it by Novotech regarding Novotech's processes, systems and procedures. Sponsor shall protect such confidential information of Novotech with the same degree of care as Sponsor would protect its own confidential information.

8. **Inventions.**

Inventions, processes, know-how, trade secrets, data, improvements, copyrights, trademarks, patents and/or other intellectual property ("inventions") relating to the Study Product, that are conceived,

generated or first reduced to practice, as the case may be, during the term of this Agreement by either Sponsor or Novotech, or jointly by Sponsor and Novotech, will be the property of the Sponsor. Notwithstanding the foregoing, any inventions, process improvements, know-how, and/or trade secrets related to the further development of Novotech's clinical trial technologies and processes developed during the course of the Study will be the property of Novotech.

9. Publicity.

No oral or written release of any statement, information, advertisement, or publicity matter having any reference to Sponsor, express or implied, shall be used by Novotech unless ru1d until such matter shall have first been submitted to and received the express written approval of Sponsor.

10. Indemnification.

Each party (the "Indemnifying Party") will indemnity and hold harmless the other party (the "Indemnified Party"), its officers, employees and agents in respect of all liabilities, costs, claims, loss, damage, demands, actions and expenses, including reasonable attorneys fees, arising from any third party claim as a result of the negligent acts, errors or omissions of the Indemnifying Party hereunder. The indemnities set out herein do not apply to any claim or liability if and to the extent that it results from the fault or negligence of the party seeking to benefit from the indemnity, its officers, employees or agents. The party seeking indemnification under this section (the "Indemnified Party") shall (i) give the other party (the "Indemnifying Party") notice of the relevant claim, (ii) cooperate with the Indemnifying Party, at the Indemnifying Party's expense, in the defense of such claim, and (iii) give the Indemnifying Party the right to control the defense and settlement of any such claim, except that the Indemnifying Party shall not enter into any settlement that affects the Indemnified Party's rights or interest without the Indemnified Party's prior written approval. The Indemnified Party shall have not authority to settle any claim on behalf of the Indemnifying Party.

Sponsor agrees to indemnity Novotech and its directors, officers, employees and Affiliates (Affiliates shall mean any entity under common control with Novotech, controlled by Novotech, or which controls Novotech) against any claim and damages, costs, liabilities and expenses (including reasonable attorney's fees) incurred by Novotech in accordance with the provisions contained in Medicine Australia's "Form of indemnity for Clinical Trials" for Sites located in Australia, and the Researched Medicines Industry Guidelines on Clinical Trials Compensation for Injury Resulting from Participation in an Industry-Sponsored Clinical Trial contained in the document called "Indemnity and Compensation for Clinical Trial" for Sites located in New Zealand, and to which Australia and New Zealand Sites refer as a condition of participating in clinical trials, in so far as entered into by Novotech for the purpose of the Study, provided however that, Sponsor shall have no obligation hereunder with respect to any claim, action or proceeding to the extent arising from the negligence, intentional misconduct or breach of the Study protocol on the part of Novotech or any of its directors, officers, employees, agents or representatives.

Sponsor further agrees to indemnity Novotech against any and all harm suffered as a result of provision of said services in jurisdictions other than Australia or New Zealand where Sponsor has further retained Novotech to contract with Sites and/or perform clinical research services and Novotech is willing to contract with Sites in those jurisdictions and to perform the requested services provided that Sponsor **shall have no obligation with respect to any claim, action or proceeding to the extent arising from the** negligence, intentional misconduct or breach of the Study protocol on the part of Novotech or any of its directors, officers, employees, agents or representatives.

11. Inspections

(a) Authorized representatives of Sponsor shall have the right during the term of this Agreement to inspect at reasonable times, the progress of the Project; all sites and facilities at which rl1e Project is being performed; and information typically subject to regulatory inspection. Sponsor will notify Novotech of the date and time prior to any such inspection.

(b) Novotech will promptly notify Sponsor of any proposed regulatory inspection relating to the Project, permit representatives of Sponsor to be present during the inspection and promptly provide Sponsor with a copy of any report issued after the inspection. Novotech agrees to take any reasonable steps requested by Sponsor as a result of a regulatory audit to cure any deficiencies in the documentation from the Project.

12. Record Storage.

(a) During the term of this Agreement, Novotech shall maintain all materials and all other data obtained or generated by Novotech in the course of providing the Services hereunder, including all computerized records and files, in a secure area reasonably protected from fire, theft and destruction. Novotech shall cooperate with any internal review or audit by Sponsor and make available to Sponsor for **examination during normal business hours and at mutually agreeable times, documentation, data and** information typically subject to regulatory inspection.

(b) At the expiration or termination of this Agreement and upon written instruction of Sponsor, all materials and all other data and information obtained or generated by Novotech in the course of providing the Services hereunder shall, at Sponsor's option, be (i) delivered to Sponsor at its offices in such form as is then currently in the possession of Novotech, or (ii) disposed of, at the direction and written request of Sponsor, unless such materials are otherwise required to be stored or maintained by Novotech as a matter of law or regulation. In no event shall Novotech dispose of any materials or data or other information obtained or generated by Novotech in the course of providing the Services hereunder without first giving Sponsor sixty (60) days prior written notice of its intent to do so. Notwithstanding the foregoing, Novotech may retain copies of any of the materials referred to herein as are deemed reasonably necessary, in Novotech's sole discretion, for regulatory or insurance purposes or to demonstrate the performance of its obligations hereunder, subject to its ongoing obligations to maintain the confidentiality of such materials.

13. Insurance.

Novotech shall maintain in effect during the Term comprehensive general liability insurance, and other forms of insurance as may reasonably be expected by a going concern in the jurisdictions in which it provides the Services. Upon Sponsor's request, Novotech shall provide Sponsor relevant certificates of insurance as applicable.

14. Assignment.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto. Notwithstanding the foregoing, neither this Agreement nor any Project Agreement nor any right or obligation hereunder shall be assignable by Novotech without the prior written consent of Sponsor, and any purported assignment without such consent shall be void.

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15. Independent Contractors.

The parties hereto are independent contractors. Neither party shall offer or agree to incur or assume any obligations or commitments in the name of or on behalf of the other, except as expressly contemplated herein or in an applicable Project Agreement. Novotech agrees to maintain full and sole responsibility for the payment of its personnel salaries and compensation, workers' compensation insurance, benefits and all other responsibilities, obligations and liabilities employers have toward their employees. Nothing contained in this Agreement shall be deemed to constitute, create or in any way be interpreted as, a partnership, joint venture, principal/agent relationship or business organization of any **kind**_

16. No Waiver.

Any party's failure to require any other party to comply with any provision of this Agreement or any Project Agreement shall not be deemed a waiver of such provision or of any other provision of this Agreement or any Project Agreement.

17. **Notices.**

All notices required or permitted under this Agreement or any Project Agreement shall be in writing and shall be either (i) delivered personally; (ii) mailed by first class certified mail return receipt requested; or (iii) sent by a nationally-recognized overnight courier service guaranteeing next-day delivery, to such party's address as set forth below. Notices given hereunder shall be deemed effective upon receipt thereof

If to Sponsor:

Xenetic Biosciences Plc
Attention:
Henry Hoppe
12302 Main Campus Drive,
Lexington,
MA 02421,
USA

If to Novotech:

Novotech (Australia) Pty Limited
Attention: Alek Safarian
Level 3, 235 Pyrmont Street
Pyrmont, NSW 2009
Australia

18. Entire Agreement.

This Agreement, together with each Project Agreement and any other exhibit hereto represent the entire understanding of the parties with respect to the subject matter hereof. Any modification, amendment or supplement to this Agreement or any Project Agreement shall be in a writing signed by an authorized representative of each party hereto or thereto.

6/2/13

19. **Severability.**

In case any one of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

20. Governing Law.

This Agreement shall be governed by and construed under the laws of Singapore without regard to **conflicts of laws provisions.**

21. Attorney's Fees.

If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements, in addition to any other relief to which the party may be entitled.

22. **Headings.**

Any headings and captions contained in this Agreement are inserted for convenience only and shall not constitute a part thereof.

23. **Counterparts.**

This Agreement and each Project Agreement, and any amendment or supplement hereto or thereto, may be executed in any number of counterparts and any party may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original. The execution of any such amendment or supplement by any party will not become effective until all the parties have executed counterparts hereto or thereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

Xenetic Biosciences Plc		**Novotech (Australia) Pty Limited**	
By:	/s/ Henry Hoppe IV	By:	/s/ A. SAFARIAN
Name:	Dr. Henry Hoppe IV	Name:	A. SAFARIAN
Title:	Vice President Drug Development	Title:	*CFO*
Date:	6th Feb. 2013	Date:	6 Feb. 2013

Exhibit 10.18

4 August 2011

AGREEMENT ON CO-DEVELOPMENT AND THE TERMS OF EXCLUSIVE LICENCE

between

(1) LIPOXEN PLC

(2) LIPOXEN TECHNOLOGIES LTD

- and-

(3) SYNBIO LLC

THIS AGREEMENT is entered into on 4 August 2011

BETWEEN:

(1) **Lipoxen PLC,** a Company registered under the laws of England with Company number 03213174 located at: the London Bioscience Innovation Centre, 2 Royal College Street, London, NW1 0NH, United Kingdom, represented by Chief Executive Officer Scott Maguire acting on the basis of the Articles of Association of Lipoxen PLC;

(2) **Lipoxen Technologies Ltd,** a Company registered under the laws of England with Company registration number 03401495 located at: London Bioscience Innovation Centre, 2 Royal College Street, London, NW1 0NH, United Kingdom, represented by Chief Executive Officer Scott Maguire, acting on the basis of the Articles of Association of Lipoxen Technologies Limited;

(Lipoxen PLC and Lipoxen Technologies Ltd. shall be jointly referred to as "**Lipoxen**"); and

(3) **SynBio LLC,** a limited liability company incorporated under the laws of the Russian Federation, Main State Registration Number 1117746126321, located at: building 2, 55/1, Leninsky Prospekt, Moscow, Russian Federation ("**SynBio**") represented by the General Director Kruglyakov Pyotr Vladimirovich, acting on the basis of the Charter of SynBio.

(Lipoxen and SynBio shall be jointly referred to as the "**Parties**" and each individually as a "**Party**")

RECITALS:

(1) Lipoxen is a drug and vaccine delivery company and is dedicated to innovative methods for the optimal delivery of therapeutics in the treatment and prevention of disease.

(2) Lipoxen's proprietary PolyXen Technology (defined below) involves the use of polysialic acid conjugation as a means to improve the pharmacokinetics and pharmacodynamics of protein drugs.

(3) Lipoxen is planning to acquire rights in the Oncohist Technology (defined below) which involves the use of human's N-bis-met-histone H.1.3 for the creation of drugs.

(4) SynBio is a limited liability company, incorporated with the purpose of carrying out pre-clinical trials and clinical trials, registration, manufacture and sale of pharmaceutical products in the SynBio Market (defined below).

(5) SynBio has or shall acquire worldwide rights to use and transfer to third parties (including Lipoxen) the right to use cell lines for the production of six molecules under development by SynBio, which includes: (i) EPO; (ii) GCSF; (iii) insulin; (iv) interferon alpha; (v) human growth hormone; (vi) Histone.

(6) SynBio wishes to receive and Lipoxen is willing to grant to SynBio an exclusive license in the SynBio Market to develop pharmaceutical products using the Molecules and the PolyXen Technology.

(7) If Lipoxen is able to source PSA, EPO and/or Product A from SIIL and is requested to do so by SynBio, Lipoxen will endeavor to supply these materials to SynBio under this Agreement on an "as is" basis.

(8) If requested to do so by Lipoxen, it is the intention of the Parties that SynBio will supply the Molecules and/or the Products to Lipoxen.

(9) Lipoxen and SynBio have agreed to collaborate in the development of: (a) certain products combining the PolyXen Technology and SynBio Molecules (defined below); and (b) Histone using the Oncohist Technology, which, if successful, will lead to clinical development of pharmaceutical and biotechnology products.

(10) Lipoxen wishes to receive and SynBio is willing to grant to Lipoxen an exclusive license to use the SynBio Cell Lines (defined below) and pre-clinical and clinical data generated by SynBio in relation to the Products, subject to and in accordance with the terms of this agreement ("**Agreement**").

THE PARTIES AGREE as follows:

1. DEFINITIONS

In this Agreement, the following words shall have the following meanings:

"Affiliate"	in relation to a Party, means any entity or person which controls, is controlled by, or is under common control with that Party. For the purposes of this definition, "control" shall mean direct or indirect beneficial ownership of 50% (or, outside a Party's home territory, such lesser percentage as is the maximum, permitted level of foreign investment) or more of the share capital, stock or other participating interest carrying the right to vote or to distribution of profits of that entity or person, as the case may be;

"Appointed CRO"	means any contract research organization appointed by either of the Parties to carry out any pre-clinical and/or clinical trials in relation to the Products;
"Arising IPR"	means any and all Intellectual Property Rights arising from or in relation to the work carried out by or on behalf of SynBio (and/or its Affiliates) and/or Lipoxen in relation to this Agreement, including any and all Intellectual Property Rights relating to: (a) the Results, including any and all data arising from the the Clinical Trials; and (b) the Products; but shall exclude the CMO Arising IPR.

"Clinical Dossier"	means in relation to each of the Products: (a) the results of and data arising from any pre-clinical and/or clinical trials relating to the relevant Product conducted by or on behalf of SynBio; and (b) any technical or other information prepared for submission to and/or actually submitted to regulatory authorities in relation to the relevant Product by or on behalf of SynBio, including information relating to quality, safety and efficacy of Products;
"Clinical Trials"	means the clinical trials to be carried out by or on behalf of the Parties in relation to the Products including the SynBio Stage 2 Trials and the SynBio Stage 3 Trials in the SynBio Market and the Lipoxen Trials in the Lipoxen Market;
"CMO Arising IPR"	means any and all Intellectual Property Rights arising from or in relation to work carried out on behalf of Lipoxen by contract manufacturing organizations (other than SynBio) in relation to the Molecules;

"Commencement Date"	means the date upon which 110,800,000 of the shares of Lipoxen PLC are allotted to SynBio pursuant to the Subscription Agreement;
"Confidential Information"	means any and all data, results, know-how, show-how, software, algorithms, trade secrets, plans, forecasts, analyses, evaluations, research, technical information, business information, financial information, business plans, strategies, customer lists, marketing plans, or other information whether oral, in writing, in electronic form or in any other form, and any physical items, compounds, components or other materials disclosed before, on or after the date of this Agreement by one Party (and/or its Affiliates) to the other Party (and/or its Affiliates) including, but not limited to the Lipoxen Know How and any SynBio know how.
"Development Program"	means the detailed program for the collaboration for each Product set out in Schedule 1 of this Agreement as modified from time to time by the Scientific Subcommittee in accordance with clause 8.13 and 8.14 and otherwise in accordance with the terms of this Agreement;

"Diligent and Reasonable Efforts"	means exerting such effort and employing such resources as would normally be exerted or employed by a reasonable third party for a product of similar market potential at a similar state of its product life, taking into account the competitiveness of the relevant marketplace, the proprietary and development positions of third parties, the regulatory structure involved, and the profitability of the product, when utilising sound and reasonable scientific, business and medical practice and judgment in order to develop a product in a timely manner and maximise the economic return to the parties form its commercialization;
"EMEA"	means the European Medicines Agency and/or any successor to it;
"EPO"	means EPO as specified in the European Pharmacopea under Erythropoietin concentrated solution (01/2002:1316) and further described in Schedule 2;

"EPO Cell Line"	means the EPO cell line used by SIIL to manufacture EPO;
"Excluded Field"	[***]
"FDA"	means the US Food and Drug Administration and/or any successor to it;
"GCP"	means all applicable laws, regulations, codes and guidelines relating to good clinical practice, including:- good clinical practice pursuant to Directive 2001/20/EEC and Directive 2005/28/EEC and all applicable implementing and/or amending legislation and guidelines; the regulations established by the MHRA and/or the FDA, for example as embodied in the Code of Federal Regulations and relevant guidelines published by the FDA, relating to the standard of practice that is

	acceptable to the FDA in the conduct of clinical studies; the version of the Declaration of Helsinki in force; and the International Conference on Harmonisation Guidelines for Good Clinical Practice in force;
"GCSF"	means GCSF as further described in Schedule 2;
"GMP"	means those practices in the manufacture of pharmaceutical products that are recognised as the current good manufacturing practices by the MHRA and comparable Governmental Authorities including, without limitation, in accordance with:- (i) European Community Commission Directive

	2003/94/EEC of 08 October 2003 and all applicable implementing and/or amending legislation and guidelines; (ii) the EC Guide to Good Manufacturing Practice for Medicinal Products and any amendments thereto or other guidelines made under the above directives from time to time; and (iii) International Conference on Harmonization (ICH) guidance documents, including without limitation the ICH Guidance Q7 Good Manufacturing Practice Guide for Active Pharmaceutical Ingredients;
"Histone"	means histone as further described in Schedule 2;
"Human Growth Hormone"	means human growth hormone as further described in Schedule 2;
"Insulin"	means insulin as further described in Schedule 2;
"Intellectual	means all possible intellectual property as defined in any

"Property Rights"	jurisdiction including but not limited to rights to inventions, patents, any extensions of the exclusivity granted in connection with patents, petty patents, utility models, applications for any of the foregoing (including, but not limited to, continuations, continuations-in-part and divisional applications), the right to apply for any of the foregoing, database rights, rights in data and know-how, trade secrets and confidential information and all other forms of intellectual property rights having equivalent or similar effect to any of the foregoing which may exist anywhere in the world;
"Interferon Alpha 2b"	means interferon alpha 2b as further described in Schedule 2;
"Joint Arising IPR"	means the Arising IPR that is owned jointly by the Parties pursuant to clause 9.6 of this Agreement;
"Know How Transfer Time"	means the time of two scientists each working for ten (10) working days;
"Lipoxen Arising IPR"	means any and all Arising IPR which is owned by Lipoxen pursuant to clause 9.1 of this Agreement;

"Lipoxen Development Products"	means Product A, Product B and Product F;
"Lipoxen Know How"	means the Oncohist Know How, the PSA Manufacturing Know How and the PolyXen Know How;
"Lipoxen Market"	means any country in the world which is not a SynBio Market;
"Lipoxen Patents"	means the Oncohist Patents, the PSA Manufacturing Patents and the PolyXen Patents;
"Lipoxen Royalty Product"	means a Lipoxen Development Product which is sold or supplied by Lipoxen and/or its Affiliates and: (a) which was manufactured using a SynBio Cell Line; and (b) in relation to which SynBio has provided to Lipoxen a Clinical Dossier which has enabled Lipoxen to commence Phase 1 clinical trials in an EMEA and/or FDA regulated country in the Lipoxen Market without carrying out any further pre-clinical or clinical development of the relevant Lipoxen Development Product;

"Lipoxen Technology"	means the PolyXen Technology, the PolyXen Manufacturing Technology and the Oncohist Technology;
"Lipoxen Stage 2 Trials"	means the Phase I clinical trials to be carried out by Lipoxen in the Lipoxen Market in relation to the Lipoxen Development Products as set out in the Development Program and as determined by the Scientific Subcommittee in accordance with clause 5;
"Lipoxen Stage 3 Trials"	means the Phase II clinical trials to be carried out by Lipoxen in the Lipoxen Market in relation to the Lipoxen Development Products in Stage 3 as set out in the Development Program and as determined by the Scientific Subcommittee in accordance with clause 6;
"Lipoxen Trials"	means the Lipoxen Stage 2 Trials and the Lipoxen Stage 3 Trials;
"Molecules"	means EPO, GCSF, Insulin, Interferon Alpha, Human Growth Hormone and Histone;

“Oncohist Know How”	means any and all know how which is disclosed to SynBio pursuant to this Agreement or was disclosed pursuant to the Oncohist Licence Agreement that relates to the inventions disclosed in the Oncohist Patents;
“Oncohist Licence Agreement”	means the license agreement entered into between Closed Joint Stock Company Cryonics and Symbiotec GmbH, Germany on 25 September 2008 under future development Closed Joint Stock Company Cryonics will transfer the exclusive right for the use of the Oncohist Technology as a contribution to the charter capital SynBio;
“Oncholiist Patents”	means the patents and patent applications set out in Schedule 3 of this Agreement, including any continuations, continuations in part, extensions, reissues, divisions, and any patents, supplementary protection certificates and similar rights that are based on or derive priority from the foregoing;

"Oncohist Technology"	means the multifaceted platform technology histone H1.3 that allows the development of anticancer drugs as described in detail in the Oncohist Patents;
"PolyXen Know How"	means the know how in the possession and control of Lipoxen at the Commencement Date relating to the technology disclosed in the PolyXen Patents in relation to which Lipoxen has a right to grant a licence;
"PolyXen Patents"	means the patents and patent applications set out in Schedule 5 of this Agreement, including any continuations, continuations in part, extensions, reissues, divisions, and any patents, supplementary protection certificates and similar rights that are based on or derive priority from the foregoing;
"PolyXen Technology"	means the multifaceted platform technology that employs PSA to prolong the active life and improve the pharmacokinetics of therapeutic proteins and peptides, as well as conventional drugs, as described in detail in the PolyXen Patents;

"Products"	means Product A, Product B, Product C, Product D, Product E and Product F;
"Product A"	means pharmaceutical preparations for the treatment and/or prevention in humans of anemia containing conjugates of EPO and PSA as their active ingredient;
"Product B"	means pharmaceutical preparations for use in human patients receiving treatment for cancer containing conjugates of GCSF and PSA as their active ingredient;
"Product C"	[***]
"Product D"	means pharmaceutical preparations for the treatment and/or prevention in humans of hepatitis C containing conjugates of Interferon Alpha 2b and PSA as their active ingredient;
"Product E"	means preparations for use in humans containing conjugates of Human Growth Hormone and PSA as their active ingredient;

"Product F"	means pharmaceutical preparations for the treatment and/or prevention in humans of cancer containing Histone as their active ingredient;
"PSA"	[***]
"PSA Cell Line"	means the E.coli cell line used by Lipoxen to manufacture PSA;
"PSA Know How"	means the know-how in the possession and control of Lipoxen at the Commencement Date relating to the PSA Manufacturing Process in relation to which Lipoxen has the right to grant a licence, which shall include the PSA Cell Line;
"PSA Manufacturing Process"	means each and every step in the process of manufacturing and purifying PSA from an E.coli cell line including but not limited to; (a) fermentation of E.coli strains producing PSA; (b) purification of PSA from the product of the process described in paragraph (a) above; and

	(c) scale up of any of the processes described in (a) and (b) above;
"PSA Patents"	means the patens and patent applications set out in Schedule 6 of this Agreement, including any continuations, continuations in part, extensions, reissues, divisions, and any patents, supplementary protection certificates and similar rights that are based on or derive priority from the foregoing;
"PSA Technology"	means the technology relating to the PSA Manufacturing Process which is described in the PSA Patents;
"Quarter"	means the quarterly periods ending 31 March, 30 June, 30 September and 31 December;
"Relationship Deed"	means the agreement to regulate the relationship between SynBio and Lipoxen PLC in the agreed form;
"Results"	means the results of and data arising from the Development Program;

"Scientific Subcommittee"	means a committee formed and operating in accordance with clauses 8.10 – 8.19 of this Agreement;
"SIIL"	means Serum Institute of India Limited, a company incorporated under Indian law, having its principal place of business at S. No. 212/2, Off Soli Poonawalla Road, Hadapsar, Pune – 411 028, Maharashtra, India;
"SIIL Agreement"	means the Exclusive Know How and Manufacturing Agreement dated on or around the Commencement Date between Lipoxen and SIIL;
"SynBio Arising IPR"	means any and all Arising IPR which is owned by SynBio pursuant to clause 9.2 of this Agreement;
"SynBio Background IP"	means any and all Intellectual Property Rights which, prior to or after the Commencement Date, are owned by or controlled by SynBio or licensed to SynBio by a third party other than Lipoxen and which have utility in the research, development, manufacture, use, sale, supply and exploitation of Products and which includes (to the extent it is not Lipoxen Arising IPR), but is not limited to, any and all Intellectual Property Rights relating to:

	(a) the Molecules; (b) the SynBio Cell Lines; (c) the Products; (d) the methods and/or processes used by SynBio to manufacture the Molecules; (e) the methods and/or processes used by SynBio to manufacture the Products; and (f) the Clinical Dossiers;
"SynBio Cell Lines"	means any and all cell lines used by SynBio to manufacture and/or create any of the Molecules;
"SynBio Market"	means the Russian Federation and the commonwealth of independent states comprising the following countries:- Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Republic of Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan;
"SynBio PolyXen Products"	means the Products excluding Product F;

"SynBio Royalty Products"	means any and all products that are manufactured, sold and/or supplied by SynBio or any of its Affiliates which incorporate or make use of any of the PolyXen Technology, the Oncohist Technology, CMO Arising IPR and/or the Lipoxen Arising IPR;
"SynBio Stage 2 Trials"	means the clinical trials to be carried out in Stage 2 by SynBio in the SynBio Market in relation to the Products as set out in Schedule 4;
"SynBio Stage 3 Trials"	means the clinical trials to be carried out in Stage 3 by SynBio in the SynBio Market in relation to the Products as set out in the Development Program and as determined by the Scientific Subcommittee in accordance with clause 3;
"SynBio Trials"	means the SynBio Stage 2 Trials and the SynBio Stage 3 Trials;
"Specifications"	means the specifications for the Products to be determined by the Scientific Subcommittee in accordance with clause 8.14.1 of this Agreement;

"Stage 1"	means the creation, formulation and pre-clinical testing of the Products by SynBio as described in further detail in Stage 1 of the Development Program;
"Stage 2"	means the phase I clinical trials to be conducted by SynBio in relation to the Products and by Lipoxen in relation to the Lipoxen Development Products as described in further detail in Stage 2 of the Development Program;
"Stage 3"	means the phase II and phase III clinical trials to be conducted by SynBio in relation to the Products and by Lipoxen in relation to the Lipoxen Development Products as described in further detail in Stage 3 of the Development Program;
"Stage 1 Costs"	means any and all costs and expenses incurred by Lipoxen and/or SynBio in relation to Stage 1;
"Stage 2 Costs"	means any and all costs and expenses incurred by Lipoxen and/or SynBio in relation to Stage 2;
Stage 3 Costs"	means any and all costs and expenses properly and reasonably incurred by Lipoxen and/or SynBio in relation to Stage 3;
"Subscription Agreement"	means the agreement between Lipoxen PLC and SynBio relating to the placement of shares in Lipoxen PLC by private subscription;

"Success Criteria"	means the criteria to be determined by the Scientific Subcommittee for each of the Products which the relevant Product must meet prior to entering Stage 2 and/or Stage 3, as described in clause 8.14.1 of this Agreement;
"Supply Products"	means any products supplied by Lipoxen to SynBio pursuant to clause 7.1;
"Third Party IP Rights"	means Third Party IP Rights as defined in clause 9.17;
"Timetable"	means the timetable for the Development Program set out in Schedule 1 of this Agreement;
"Valid Claim"	means a claim of a patent or patent application that has not expired or been held invalid or unenforceable by a decision of a patent office or court of competent jurisdiction, which decision (a) it is not possible to appeal or, (b) is not the subject of an appeal within the prescribed time limits.

2. COMMENCEMENT GENERALLY AND HISTONE/PRODUCT F

2.1. The Parties hereby agree that each Party's rights and obligations in relation to Product F (including those set out in

clause 2.3) shall be excluded entirely from the scope of this Agreement until such time that Lipoxen notifies SynBio in writing that Lipoxen:- (i) has acquired rights to the Oncohist Technology; and (ii) Lipoxen is free and able to use the Oncohist Technology in accordance with the terms of this Agreement.

2.2. On receipt of the notice referred to in clause 2.1 by SynBio, any rights and obligations under this Agreement of the Parties in relation to Product F shall automatically commence without any further action by either of the Parties.

2.3. To the extent that SynBio is not already licensed to do so pursuant to the Oncohist Licence Agreement, conditional upon the events set out in clause 2.1 of this Agreement, Lipoxen grants to SynBio an exclusive licence during the term of this Agreement in the SynBio Market under the Oncohist Patents and/or the Oncohist Know How to research, develop, manufacture, have manufactured, use, sell and supply Product F.

2.4. The Parties agree that to the extent there is any conflict between the scope of the Oncohist Licence Agreement and the terms of this Agreement, the terms of this Agreement shall prevail.

2.5. Without prejudice to the generality of clause 2.4, the Parties agree that Lipoxen will have exclusive rights in the Lipoxen Market to research, develop, manufacture, have manufactured, use, sell and supply Product F, and/or to licence third parties to do so.

2.6. Lipoxen’s obligations under this Agreement and SynBio’s rights under clauses 11.1, 11.3 and 11.4 shall not commence in any circumstance until the date upon which Lipoxen receives the funds from SynBio which are due to Lipoxen under the Subscription

Agreement. The Parties agree that this Agreement shall automatically expire if such funds are not received by Lipoxen on or before 31 December 2011.

3. STAGE 1: CANDIDATE OPTIMIZATION

3.1. Lipoxen and SynBio shall collaborate to fulfill the objectives of Stage 1.

3.2. Each Party shall use its reasonable endeavors to fulfill the obligations allocated to it in Stage 1 in accordance with the Timetable.

3.3. The Parties acknowledge that in Stage 1, Lipoxen's obligations are limited to a transfer of the PolyXen Know How (as specified in clauses 11.10 of this Agreement) from Lipoxen to SynBio to enable SynBio to carry out its obligations under Stage 1.

3.4. SynBio shall transfer to Lipoxen within ten (10) business days upon Lipoxen's request any and all information, data and know how in the possession and/or control of SynBio relating to the Molecules which is reasonably required by Lipoxen to carry out its obligations under Stage 1 in accordance with the Timetable according to the procedure set forth in clauses 10.7-10.9 of this Agreement.

3.5. Unless SynBio and Lipoxen agree otherwise, a Product shall not become part of Stage 2 unless it meets the Success Criteria. The Scientific Subcommittee shall in accordance with clause 8 determine:

3.5.1. the Success Criteria;

3.5.2. whether a Product meets the Success Criteria; and

3.5.3. a Specification for each of the Products to enter Stage 2.

3.6. The Parties agree that SynBio shall not create or develop any Products using cell lines:

3.6.1. to which SynBio does not own the worldwide right to use the relevant cell line; and/or

3.6.2. in relation to which SynBio is unable to transfer the cell lines and the rights to use it to Lipoxen in the Lipoxen Market.

3.7. The Parties acknowledge that in creating Product A, SynBio shall be entitled to develop the product using either:-

3.7.1. the cell line used by SIIL to make EPO if, and to the extent that, Lipoxen is able to, obtain rights to and a technology transfer of the cell line used by SIIL; and/or

3.7.2. any other suitable cell line which complies with clause 3.6 above.

4. STAGE 2: CLINICAL TRIALS IN SYNBIO MARKET

4.1. SynBio shall conduct the SynBio Stage 2 Trials in the SynBio Market in accordance with the Timetable, the Development Program and the Specification. SynBio shall be entitled to manage the SynBio Stage 2 Trials through its in-house regulatory department or via an Appointed CRO.

4.2. Without prejudice to the generality of clause 4.1, SynBio shall:

4.2.1. submit the CTA (Clinical Trials Application) to the regulatory authorities in the SynBio Market for permission to conduct the SynBio Stage 2 Trials in relation to each of the Products on or before the dates set out in Schedule 8 of this Agreement; and

4.2.2. to the extent allowed by the applicable law commence the SynBio Stage 2 Trials within 6 (six) calendar months of receiving permission from the regulatory authorities in the SynBio Market to conduct the relevant SynBio Trial.

4.3. SynBio shall:

4.3.1. be responsible for all costs and expenses for conducting the Synbio Stage 2 Trials, including the costs and expenses of any Appointed CRO which Synbio may appoint; and

4.3.2. at its own cost and expense, at its premises, manufacture sufficient quantities of the SynBio Products meeting the Specifications for use in the SynBio Stage 2 Trials, at all times in accordance with the Timetable and the Development Plan.

4.4. SynBio shall keep Lipoxen fully informed of all decisions it makes and all plans it has to conduct the SynBio Stage 2 Trials. SynBio shall comply with all instructions provided by the Scientific Subcommittee in relation to conduct of the SynBio Stage 2 Trials which are reasonably required to ensure that the SynBio Stage 2 Trials are conducted in accordance with all applicable US and European Union laws, regulations, codes of practice, principles and guidelines, including EMEA and FDA requirements.

4.5. If SynBio chooses to utilize services of an Appointed CRO, SynBio shall enter into a written agreement with the Appointed CRO which s shall.

4.5.1. provide that all Intellectual Property Rights generated pursuant to the SynBio Stage 2 Trials shall be owned either by Lipoxen and/or SynBio and/or jointly by the Parties in accordance with the terms of this Agreement;

4.5.2. enable SynBio to comply with its obligations under this Agreement; and

4.5.3. be capable of assignment to third parties, including to Lipoxen, in accordance with the terms of this Agreement.

4.6. SynBio undertakes that:

4.6.1. all SynBio Products used in the SynBio Stage 2 Trials will be manufactured in accordance with GMP and that all of the SynBio Stage 2 Trials will be conducted in accordance with GCP;

4.6.2. any and all data obtained from the SynBio Stage 2 Trials shall be made available to Lipoxen in accordance with this Agreement and clause 5.6; and

4.6.3. it will comply and procure that the CRO complies with all instructions provided by the Scientific Subcommittee in relation to conduct of the SynBio Stage 2 Trials which are reasonably required to ensure that the SynBio Stage 2 Trials are conducted in accordance with all applicable US and European Union laws, regulations, codes of practice, principles and guidelines, including EMEA and FDA requirements.

4.7. SynBio shall obtain the prior written approval of the Scientific Subcommittee of any and all protocols to be used in the SynBio Stage 2 Trials and shall comply with all reasonable instructions of the Scientific Subcommittee in relation to such protocols.

5. STAGE 2: CLINICAL TRIALS IN LIPOXEN MARKET

5.1. Subject to clause 5.8, Lipoxen shall use Diligent and Reasonable Efforts to conduct the Lipoxen Stage 2 Trials in the Lipoxen Market in accordance with the Timetable, the Development Program and the Specification. Lipoxen shall be entitled to manage the Lipoxen Stage 2 Trials through its in-house regulatory department or via an Appointed CRO.

5.2. Without prejudice to the generality of clause 5.1, Lipoxen shall use Diligent and Reasonable Efforts to:

5.2.1. submit the CTA (Clinical Trials Application) to the regulatory authorities in the Lipoxen Market for permission to conduct the Lipoxen Stage 2 Trials in relation to each of the Lipoxen Development Products on or before the dates set out in Schedule 8 of this Agreement; and

5.2.2. to the extent allowed by the applicable law and to the extent regulators approve, commence the Lipoxen Stage 2 Trials within 12 (twelve) calendar months of receiving permission from the regulatory authorities in the Lipoxen Market to conduct the relevant Lipoxen Stage 2 Trial.

5.3. Lipoxen shall:

5.3.1. be responsible for all costs and expenses for conducting the Lipoxen Stage 2 Trials, including the costs and expenses of any Appointed CRO which Lipoxen may appoint; and

5.3.2. at its own cost and expense, manufacture or have manufactured sufficient quantities of the Lipoxen Products meeting the Specifications for use in the Lipoxen Stage 2 Trials, at all times in accordance with the Timetable and the Development Plan.

5.4. Lipoxen shall keep Synbio informed via meetings of the Scientific Subcommittee of material decisions it makes and all plans it has to conduct the Lipoxen Stage 2 Trials. Lipoxen shall comply with all instructions provided by SynBio in relation to conduct of the Lipoxen Stage 2 Trials which are reasonably required to ensure that the Lipoxen Stage 2 Trials are conducted in accordance with all applicable US and European Union laws, regulations, codes of practice, principles and guidelines, including EMEA and FDA requirements.

5.5. If Lipoxen chooses to utilize services of an Appointed CRO, Lipoxen shall enter into a written agreement with such Appointed CRO which shall:-

5.5.1. provide that all Intellectual Property Rights generated pursuant to the Lipoxen Stage 2 Trials that may be considered Arising IPR to be owned by the Parties in accordance with the terms of this Agreement;

5.5.2. enable Lipoxen to comply with its obligations under this Agreement; and

5.5.3. be capable of assignment to third parties, including to SynBio in accordance with the terms of this Agreement.

5.6. Lipoxen undertakes that:

5.6.1. all Lipoxen Products used in the Lipoxen Stage 2 Trials will be manufactured in accordance with GMP or applicable laws and regulations and that all of the Lipoxen Stage 2 Trials will be conducted by an Appointed CRO that follows GCP;

5.6.2. any and all data obtained from the Lipoxen Stage 2 Trials shall be made available to SynBio in accordance with this Agreement; and

5.6.3. it will not knowingly conduct, or permit the Appointed CRO to conduct, a Lipoxen Stage 2 Trial in a manner that is inconsistent with GB, US and European Union laws, regulations, codes of practice, principles and guidelines, including EMEA and FDA requirements.

5.7. Lipoxen shall obtain the prior written approval of the Scientific Subcommittee of any and all protocols to be used in the Lipoxen Stage 2 Trials and shall comply with all reasonable instructions of the Scientific Subcommittee in relation to such protocols. For the avoidance of doubt, the Parties agree that an instruction of the Scientific Subcommittee shall not be reasonable if it conflicts with the advice of an Appointed CRO.

5.8. The parties agree that the Scientific Subcommittee shall determine whether Product A shall be developed by Lipoxen using the Serum cell line (as defined by the SIIL Agreement) or another cell line which produces EPO. If the Scientific Subcommittee determines that another cell line shall be used

by Lipoxen, Lipoxen shall not be bound to perform the obligations set out in the table in Schedule 1 headed "Product A: PSA-EPO (Developed by LPX)" and the Scientific Subcommittee shall proptly devise and replace the table with a new table which relates to and is suitable for the alternative cell line producing EPO.

6. STAGE 3: FURTHER CLINICAL DEVELOPMENT

6.1. The Scientific Subcommittee shall promptly review the results of the SynBio Stage 2 Trials and shall decide which, if any, Products have met the Success Criteria and which shall therefore move into Stage 3.

6.2. Subject to clause 6.3, the Scientific Subcommittee shall decide the strategy and responsibilities of the Parties for full- scale pharmaceutical and clinical development of the Products during Stage 3: (a) in relation to the Lipoxen Development Products in the Lipoxen Market; and (b) in relation to the Products in the SynBio Market, but the Parties agree that the principles set out in this clause 6 shall be adopted.

6.3. SynBio will have exclusive rights and arrangements entirely at its own cost to conduct clinical development of the SynBio Products in the SynBio Market.

6.4. SynBio shall be responsible pursuant to instructions from the Scientific Subcommittee for any and all applications for marketing authorizations to be made to the regulatory authorities in the SynBio Market in respect of the Products, which applications for the avoidance of doubt, shall be made in the name of SynBio.

6.5. Lipoxen will have exclusive rights and responsibility entirely at its own cost to conduct clinical development of the Lipoxen Development Products in the Lipoxen Market. For the avoidance of doubt, Lipoxen shall not be obliged to conduct or fund (whether pursuant to Stage 1, Stage 2, Stage 3 or otherwise):

6.5.1. clinical trials in relation to any product which is not a Lipoxen Development Product;

6.5.2. clinical trials in the SynBio Market, unless Trials not joint of EMEA regulated trials;

6.5.3. clinical trials in relation to the Lipoxen Development Products in more than one country in the Lipoxen Market and shall at its entire discretion select the most appropriate country in the Lipoxen Market in which to carry out clinical development of the Lipoxen Development Products;

6.5.4. conduct clinical trials in relation to any Lipoxen Development Products for which there are safety, toxicity, efficacy or pharmacokinetics issues or for which the conduct of a clinical trial would be prohibited by laws and/or regulations in force in the Lipoxen Market; and

6.5.5. any clinical trials in relation to the Lipoxen Development Products beyond Phase IIa other than at its entire discretion.

6.6. Lipoxen shall be responsible pursuant to instructions from the Scientific Subcommittee for any and all applications for marketing authorizations to be made to the regulatory authorities, including EMEA and FDA, in Lipoxen Market in respect of the Lipoxen Development Products, which applications for the avoidance of doubt, shall be made in the name of Lipoxen.

6.7. Lipoxen and/or its Affiliates shall be responsible at their entire discretion for any and all exploitation of the Lipoxen Development Products in the Lipoxen Market including, without limitation, negotiations with third parties and the determination of licensing arrangements with third parties for exploitation of the Lipoxen Development Products.

6.8. SynBio shall as when requested by Lipoxen during the term of this Agreement promptly provide to Lipoxen in writing:-

6.8.1. the Results relating to the Products created by or on behalf of SynBio; and

6.8.2. up to date Clinical Dossiers relating to each of the Products.

6.9. Lipoxen shall as when requested by SynBio during the term of this Agreement promptly provide to SynBio in writing, to the extent it is not restricted by confidentiality obligations owed to third parties, via meetings of the Scientific Subcommittee:

6.9.1. the results relating to the Lipoxen Trials; and

6.9.2. any clinical dossiers created by or on behalf of Lipoxen relating to the Lipoxen Development Products.

7. MANUFACTURE AND SUPPLY

Supply by SynBio

7.1. If and when requested to do so by Lipoxen, SynBio agrees to manufacture and supply to Lipoxen and/or any licensees of Lipoxen the Molecules and/or the Products for the purposes of pre-clinical and clinical development of the Products.

7.2. The Parties agree that Lipoxen shall not be obliged to exercise its rights under clause 7.1 at any particular time or at all but if Lipoxen does exercise its rights, the Parties will enter into a manufacture and supply agreement on reasonable commercial terms.

7.3. The Parties agree that the price at which SynBio will supply the Molecules and/or Products to Lipoxen will be determined in accordance with clauses 7.4 and 7.5.

7.4. [***]

7.5. [***]

7.6. [***]

Supply by Lipoxen

7.7. If requested in writing to do so by SynBio, Lipoxen shall use its reasonable commercial endeavours, subject to clauses 7.8 to 7.10 below, to supply:

7.7.1. PSA to SynBio for use in the research and development of SynBio Products; and/or

7.7.2. EPO to SynBio for use in the research and development of Product A.

7.8. The Parties agree that SynBio shall not be obliged to exercise its rights under clause 7.7 at any particular time or at all but if SynBio does exercise its rights, the Parties will enter into a supply Agreement on reasonable commercial terms which will comply with the provisions of clause 7.9 and 7.10 of this Agreement and the provisions of any agreement between Lipoxen and SIIL relating to the Supply Products.

7.9. SynBio acknowledges that any products supplied to SynBio by Lipoxen will be sourced by Lipoxen from SIIL and accordingly:

7.9.1. Lipoxen will only provide the Supply Products on an “as is” basis without any warranties of any kind other than a warranty that between delivery of the Supply Products to Lipoxen by SIIL and delivery of the Supply Products to SynBio, Lipoxen has not altered the Supply Products in any way;

7.9.2. each of the Parties expressly disclaims all express and implied warranties with respect to such Supply Products, including without limitation any warranty of merchantability or fitness for a particular purpose, safety, efficacy, potency, purity and/or activity and/or that its use would not infringe the Intellectual Property Rights of a third party;

7.9.3. Lipoxen shall not be liable for any failure to supply the Supply Products to the extent such failure is a result of any act or omission of SIIL, including any breach of SIIL's supply obligations to Lipoxen;

7.9.4. Lipoxen will not be obliged to supply any Supply Products to SynBio in accordance with any specification other than those specifications which have been specified in written agreements between SIIL and Lipoxen existing at the time of supply.

7.10. SynBio shall pay to Lipoxen (in sufficient time to enable Lipoxen to fulfill payment obligations to SIIL in respect of the relevant Supply Products):

7.10.1. compensation for any and all costs and expenses which Lipoxen reasonably incurs in relation to the supply of the Supply Products (including the price paid to SIIL for the Supply Products, transport costs and insurance costs); and

7.10.2. [***]

7.11. Lipoxen shall provide SynBio at its request documents confirming the expenditures specified in clauses 7.10.1 – 7.10.2 of this Agreement.

8. CONDUCT, REPORTING AND DECISION MAKING

Conduct

8.1. Each of SynBio and Lipoxen shall perform its obligations under this Agreement:

8.1.1. in accordance with the Development Program;

8.1.2. to the best of its ability in a professional manner consistent with industry standards;

8.1.3. in accordance with the standard of care customarily observed with regard to such activities;

8.1.4. in a timely manner and in accordance with the Timetable;

8.1.5. in accordance with all reasonable instructions received from the other Party;

8.1.6. in compliance with all applicable laws, rules and regulations, including without limitation, where applicable, GMP, current good clinical or laboratory practices and GCP.

Reporting

8.2. SynBio and Lipoxen shall, and shall procure that Appointed CROs shall, during the term of this Agreement:

8.2.1. keeping (including keeping by all their respective employees) of detailed written records of its progress with the Development Program and, at the request of the other Party, promptly provide the other Party with access to and/or copies of such records;

8.2.2. supply to the other Party at least once every three months with an interim written report in accordance with the form to be determined by the Scientific Subcommittee, describing the progress of the Development Program including, without limitation,

details of all material Arising IPR which has been made and containing recommendations regarding the future progress of the Development Program;

8.2.3. notwithstanding clause 8.2.3 above, keep the other Parties fully informed of the progress of the Development Program and of all Arising IPR;

8.2.4. immediately notify the other Parties in writing if there is an unexpected technical or scientific problem which may make it difficult or impossible to achieve or is likely to cause a material delay to the Development Program, including any adverse events arising pursuant to the Clinical Trials.

8.3. SynBio will allow, and/or will procure that the Appointed CRO' will allow, Lipoxen and/or its employees to:

8.3.1. visit SynBio facilities and/or the Appointed CRO's facilities; and

8.3.2. review SynBio and/or the Appointed CRO's records relating to the SynBio Trials at reasonable times and with reasonable frequency during normal business hours:

in each case to: (a) verify compliance by SynBio and/or the Appointed CRO with the terms of this Agreement; and/or (b) observe the progress of the Development Program.

8.4. Lipoxen will allow, and/or will procure that the Appointed CRO will allow, SynBio and/or its employees to:

8.4.1. visit Lipoxen's facilities and/or the Appointed CRO's facilities; and

8.4.2. review Lipoxen's and/or the Appointed CRO's records relating to the Lipoxen Trials at reasonable times and with reasonable frequency during normal business hours:

in each case to: (a) verify compliance by Lipoxen and/or the Appointed CRO with the terms of this Agreement; and/or (b) observe the progress of the Development Program.

8.5. SynBio shall, or shall procure that the Appointed CRO shall, update the Scientific Subcommittee on the progress of the SynBio Trials on a monthly basis (if it coincides with meetings of the Scientific Subcommittee) via a telephone conference call with the Scientific Subcommittee.

8.6. Lipoxen shall, or shall procure that the Appointed CRO shall, update the Scientific Subcommittee on the progress of the Lipoxen Trials on a monthly (if it coincides with meetings of the Scientific Subcommittee) basis via a telephone conference call with the Scientific Subcommittee.

8.7. The Parties shall promptly implement an intranet using Microsoft Project to monitor progress of the Parties pursuant to the Development Program. The Parties agree that:

8.7.1. each of the Parties shall update the intranet on a weekly basis; and

8.7.2. each of the parties shall have constant access.

8.8. If a Party fails to comply with the provisions of clause 8.7 the representatives on the Scientific Subcommittee of the Party in breach shall lose their right, pursuant to clause 8.18.4

of this Agreement, to vote at meetings of the Scientific Subcommittee for the period during which such Party is in breach.

8.9. Subject to the exceptions set out in clause 18.2 of this Agreement, Lipoxen and SynBio shall ensure confidentiality of all data obtained on the basis of or in connection with any of the activities listed in clauses 8.3 and 8.4 above and enter into confidentiality agreements with any third parties that receive access to such data.

Scientific Subcommittee

8.10. The Parties shall establish a Scientific Subcommittee consisting of four individuals, comprising two representatives of Lipoxen and two representatives of SynBio. The initial representatives of each of Lipoxen and SynBio are identified in Schedule 9. Lipoxen shall be entitled at any time to use two of the four people listed in Schedule 10. The expenses of the Lipoxen representatives shall be borne by Lipoxen and the expenses of the SynBio representatives shall be borne by SynBio.

8.11. Lipoxen and SynBio may from time to time change its representatives on the Scientific Subcommittee by notifying the other Parties in writing in advance. The replacement shall be suitably qualified and capable of fulfilling the responsibilities of a member of the Scientific Subcommittee under this Agreement.

8.12. Lipoxen shall during the term of this Agreement be entitled to appoint one of its representatives on the Scientific Subcommittee as the chair person of the Scientific Subcommittee.

8.13. The Scientific Subcommittee will be responsible for the overall management of the Development Program and shall meet at least once every month either in person or through teleconference or in any other mode to discuss the progress of the Development Program.

8.14. The Scientific Subcommittee shall:

8.14.1. on or promptly after the Commencement Date, meet and: (a) review the tables in Schedule 1 of this Agreement and introduce any amendments which are reasonably require; and (b) agree the Specifications and Success Criteria for the Products. The tables in Schedule 1 of this Agreement and the Success Criteria shall be established on the basis of the legal requirements of the Lipoxen Market and the SynBio Market applicable to the Product relating to its development, marketing, distribution and sale and on the basis of business evaluations and analysis made by the Parties; and

8.14.2. at the relevant time during the Development Program determine whether the Products meet the Success Criteria.

8.15. All material decisions of the Scientific Subcommittee shall be recorded in writing.

8.16. Subject to the provisions of the Subscription Agreement and the Relationship Deed, the Parties agree that valid decisions made by the Scientific Subcommittee shall be binding upon the Parties in so far as they relate to:

8.16.1. development of the Lipoxen Development Products in accordance with this Agreement;

8.16.2. development of the SynBio Products in accordance with this Agreement; and

8.16.3. implementation of the Development Plan.

8.17. The Parties shall agree mutually when to conduct the monthly meetings of the Scientific Subcommittee. In addition and/or if the Parties cannot agree a date for the monthly meetings, each Party shall be entitled to convene a meeting of the Scientific Subcommittee on giving not less than one calendar months' written notice to the other Party.

8.18. The Parties agree that:

8.18.1. meetings of the Scientific Subcommittee may occur by telephone conference call;

8.18.2. the quorum for a meeting of the Scientific Subcommittee shall be two representatives of each Party;

8.18.3. no valid meeting of the Scientific Subcommittee may be held unless a quorum is present and the Parties have agreed the date of the meeting in writing or all Parties have received not less than one calendar months written notice of the meeting (or such shorter notice period as the Parties shall previously agree in writing);

8.18.4. each person present at a meeting of the Scientific Subcommittee shall have a single vote; and

8.18.5. the chair person of the Scientific Subcommittee shall have the casting vote in relation to any decisions to be made by the Scientific Subcommittee.

8.19. If a decision of the Scientific Subcommittee is binding on the Parties as set out in clause 8.16, no additional negotiations or corporate approvals (except for those required by law) shall be required to implement the decision of Scientific Subcommittee. In particular, should such a decision of the Scientific Subcommittee require execution of an amendments / annex / schedule to this Agreement in accordance with this Agreement or applicable law, the Parties shall promptly execute it.

9. INTELLECTUAL PROPERTY RIGHTS

General

9.1. Any and all Arising IPR that relates specifically to Histone, the Oncohist Technology, Serum EPO (as defined in the SIIL Agreement), the Serum Cell Line, (as defined in the SIIL Agreement), PSA, the PSA Manufacturing Technology and/or the PolyXen Technology shall belong to Lipoxen including, for the avoidance of doubt, any and all Arising IPR relating to:

9.1.1. conjugation of the Molecules and PSA and the resulting conjugates;

9.1.2. the manufacture and uses of Histone; and

9.1.3. PSA and the PSA Manufacturing Process.

9.2. Notwithstanding provisions of Clause 9.1. above any Arising IPR that relates specifically to the, Molecules and/or the manufacture of the Molecules (in each case excluding Histone and SIIL EPO) shall belong to SynBio.

9.3. Any and all trade marks and trade names used by Lipoxen in relation to the Lipoxen Development Products and otherwise shall belong to Lipoxen and SynBio acknowledges that it does not receive a licence under this Agreement to use any such trade marks and trade names.

9.4. SynBio shall be responsible for applying for and obtaining trade mark registrations in the SynBio Market. SynBio shall not use any trade mark or trade name that is the same as or confusingly similar to any trade mark or trade name used by Lipoxen in the Lipoxen Market.

9.5. Lipoxen shall be responsible for applying for and obtaining trade mark registrations in the Lipoxen Market. Lipoxen shall not use any trade mark or trade name that is the same as or confusingly similar to any trade mark or trade name used by SynBio in the SynBio Market.

9.6. Any Arising IPR that is not owned by either Party pursuant to clauses 9.1 to 9.3 shall be owned jointly by the Parties.

9.7. Each of the Parties shall have control of the protection, exploitation and use of the Arising IPR that it owns pursuant to clauses 9.1 to 9.3 and shall decide in its entire discretion whether and how to file and prosecute patent applications in relation to the relevant Arising IPR and, subject to any express rights granted to the other party under this Agreement, whether and to whom to grant licences to third parties.

9.8. The Parties shall collaborate to agree the appropriate method for the protection, development and exploitation of the Joint Arising IPR. Any and all patent applications in relation to the Joint Arising IPR shall be made and controlled by Lipoxen in the joint names of the Parties and the cost of such applications and any patents that result from such applications shall be shared equally by the Parties.

9.9. For the avoidance of doubt, the Parties agree that:

9.9.1. Lipoxen shall have a perpetual royalty free right to use and exploit (which right shall include the right to grant licences to third parties in the Lipoxen Market without the consent of SynBio) the Joint Arising IPR in the Lipoxen Market; and

9.9.2. SynBio shall have a perpetual royalty free right to use and exploit (which right shall not include the right to grant licences to third parties in the SynBio Market without the consent of Lipoxen) the Joint Arising IPR in the SynBio Market.

9.10. The Parties agree that Lipoxen shall own all right, title and interest in the CMO Arising IPR.

Molecules and SynBio Cell Lines

9.11. SynBio warrants and undertakes to Lipoxen that:

9.11.1. it possesses and has or will have a valid and subsisting world wide right to the use of cell lines for the production of each and all of the Molecules;

9.11.2. the cell lines referred to in clause 9.11.1 produce the relevant Molecules in sufficient quantity and quality to enable clinical development of the Products in accordance with the terms of this Agreement;

9.11.3. SynBio's rights under the cell lines referred to in clause 9.11.1 permit SynBio (or a third party authorized by SynBio) to make, use, distribute, market, sell and supply the Molecules for any indication and by any route of administration worldwide;

9.11.4. it is not aware of any contractual or other restriction that would prevent SynBio from transferring the cell lines referred to in clause 9.11.1 to Lipoxen (or a licensee of Lipoxen) for use by Lipoxen (or its licensee) in accordance with clause 9.11.3;

9.11.5. it has the right to grant the licence set out in clause 10.1 of this Agreement.

9.12. As and when requested to do so by Lipoxen, SynBio shall provide written evidence to Lipoxen (which shall include copies of the agreements under which SynBio is entitled to use the cell lines referred to in clause 9.11.1) that SynBio is not in breach of the terms of clause 9.11.

9.13. Lipoxen shall have the right at any time to terminate this Agreement on a Molecule by Molecule and/or Product by Product basis with immediate effect on written notice to SynBio if SynBio is in breach of clause 9.8 and/or 9.9 of this Agreement in relation to any Molecule that relates to the relevant Product.

Lipoxen Technology

9.14. Lipoxen undertakes to SynBio that Lipoxen:

9.14.1. owns or has valid exclusive, world wide right to use (which right shall include the right to grant sub-licenses) the PolyXen Patents existing at the Commencement Date; and

9.14.2. will use its best endeavours to acquire the rights (by way of ownership or licence) to the Oncohist Technology prior to the expiry of Stage 2 on terms that are reasonably acceptable to Lipoxen.

9.15. As and when requested to do so by SynBio, Lipoxen shall provide written evidence to SynBio that Lipoxen is not in breach of the terms of clause 9.14.

9.16. SynBio shall have the tight at any time to terminate this Agreement on a Product by Product basis to the extent the relevant breach affects the relevant Product with immediate effect on written notice to Lipoxen:

9.16.1. in relation to the SynBio Products if Lipoxen is in breach of clause 9.14.1; and/or 9.15;

9.16.2. in relation to Product F if Lipoxen is in breach of clause 9.14.2 of this Agreement and SynBio ceases to be licensed to use the Oncohist Technology pursuant to the Oncohist Licence Agreement.

Third Party Intellectual Property Rights

9.17. Each Party shall immediately notify the other Party in writing if it becomes aware of any third party Intellectual Property Rights relating to any of the Products ("**Third Party IP Rights**").

9.18. The Parties shall co-operate to evaluate the strength and validity of any Third Party IP Rights and the Scientific Subcommittee shall decide how to address the Third Party IP Rights.

9.19. If the Scientific Subcommittee decides to challenge or take a license of the Third Party IP Rights, Lipoxen shall be responsible, subject to clauses 9.22 and 9.23 at the joint cost of the Parties, for using its reasonable endeavours to implement any action recommended by the Scientific Subcommittee.

9.20. Either Party may terminate this Agreement on 30 (thirty) days written notice to the other Party in relation to a particular Product if, in its reasonable opinion, a Third Party IP Right exists which would have a material effect on the research and/or development of the relevant Product, in the case of Lipoxen, in the Lipoxen Market, and in the case of SynBio, in the SynBio market.

9.21. For the avoidance of doubt, subject to clauses 9.22 and 9.23 any and all costs and/or expenses reasonably and properly incurred by the Parties in relation to a Third Party IP Right, including any license fees and/or costs of evaluating and challenging a Third Party IP Right, shall be shared equally between the Parties.

9.22. If a Third Party IP Right relates to a Molecule or a SynBio Cell Line, the Parties agree that all of the costs and/or expenses reasonably and properly incurred by the Parties in relation to the relevant Third Party IP Right will be born by SynBio.

9.23. If a Third Party IP Right relates to the use of the PolyXen Technology to produce Products A-F, the Parties agree that all of the costs and/or expenses reasonably and properly incurred by the Parties in relation to the relevant Third Party IP Right will be borne by Lipoxen.

10. GRANT OF RIGHTS TO LIPOXEN

10.1. SynBio grants to Lipoxen during the term of this Agreement, subject to the provisions of this Agreement, an exclusive license, with the right to grant sub-licenses, in the Lipoxen Market to research, develop, make, have made, market, supply, sell and distribute Products using:

10.1.1. the SynBio Cell Lines;

10.1.2. the SynBio Background IP; and

10.1.3. the SynBio Arising IPR.

10.2. For the avoidance of doubt, Lipoxen shall have during the term of this Agreement the rights:

10.2.1. to use, and

10.2.2. to grant Lipoxen licensees the right to use without the prior written consent of SynBio,

the Clinical Dossiers relating to the Products in the Lipoxen Market which will be provided to Lipoxen by SynBio pursuant to clause 6.8 of this Agreement.

Sub-licensing

10.3. Lipoxen shall be entitled to sub-license and/or sub-contract its rights under clauses 10.1 and 10.2 of this Agreement to any person without the prior written consent of SynBio, and provided that:

10.3.1. any sub-licence or Lipoxen's rights under clauses 10.1 and 10.2 granted by Lipoxen will terminate on termination of this Agreement and expire on expiry of this Agreement;

10.3.2. the provisions of the sub-licence agreement will be consistent with the terms of this Agreement;

10.3.3. Lipoxen will only be entitled to receive monetary consideration for the grant of a sub-licence;

10.3.4. Lipoxen shall remain liable for any acts and/or omissions of its sublicensees as if such acts and omissions had been made by Lipoxen under this Agreement; and

10.3.5. [***]

No Other License

10.4. It is acknowledged and agreed that no license is granted by SynBio to Lipoxen other than the license expressly granted by the provisions of this clause 10. Without prejudice to the generality of the foregoing, SynBio reserves all rights under the Molecules, the SynBio Cell Lines and the SynBio Background IP:

10.4.1. in relation to any products which are not Products; and

10.4.2. outside the Lipoxen Market.

Quality

10.5. Lipoxen shall ensure that all of the Products sold or supplied by it are of

satisfactory quality and comply with all applicable laws and regulations in each part of the Lipoxen Market.

Transfer of the SynBio Technology

10.6. At Lipoxen's request, at any time during the term of this Agreement or thereafter, SynBio shall at its own cost promptly disclose and/or transfer to Lipoxen, its licensee and/or an Appointed CRO, using a method of know how transfer reasonably acceptable to Lipoxen, all information and materials (including samples of the respective Molecules and SynBio Cell Lines) that are reasonably required to enable Lipoxen to fulfill its obligations under this Agreement and/or to exploit the Lipoxen Arising IPR, the Joint Arising IPR and the license granted under clauses 10.1 and 10.2.

10.7. The Parties agree that as a result of the technology transfer described in clause 10.7 it is the intention of the Parties that Lipoxen and/or its licensee and/or an Appointed CRO will be able to manufacture the Molecules and the Products using the SynBio Cell Lines:

10.7.1. to GMP standards;

10.7.2. in a manner that would satisfy regulatory requirements of EMEA and/or the FDA; and

10.7.3. to a standard and a scale which is equivalent to that practiced by SynBio in the SynBio Market at the transfer date, as demonstrated by three successive, successful batches.

10.8. The Parties shall procure that they will agree the best method for achieving the technology transfer described in clause 10.7 within 30 (thirty) days of Lipoxen calling for the technology transfer and

SynBio will thereafter co-operate with Lipoxen to implement the technology transfer. SynBio acknowledges that any transfer will involve:

10.8.1. the delivery of physical documents which record the relevant know how, including manuals and standard operating procedures;

10.8.2. the delivery of manufacturing process details;

10.8.3. the delivery of analytical methods for starting materials, in-process testing and finished product;

10.8.4. the delivery of analytical results/certificates of analysis from the last three of the Molecules and/or Products with samples of these batches for testing;

10.8.5. the delivery of technical regulatory dossiers relating to the relevant technology, including batch records, development reports and production process documentation;

10.8.6. the delivery of any cell lines and other proprietary materials used by the SynBio in the relevant process, including the SynBio Cell Lines;

10.8.7. the detailed inspection of SynBio's laboratories and manufacturing facilities engaged in the manufacture of the relevant Molecules and/or Products by Lipoxen Technologies, its Customer's and their representatives;

10.8.8. the secondment of SynBio scientists to the laboratory or manufacturing facility of Lipoxen and/or its licensees and/or its Appointed CRO;

10.8.9. responding to queries from Lipoxen and/or its licensees orally and in writing.

10.9. SynBio agrees that if SynBio is in breach of any of the terms of clause 10.7 to 10.9, Lipoxen shall be entitled to withhold payments due to SynBio pursuant to Schedule 10 of this Agreement until such time as the breach has been remedied by SynBio.

11. GRANT OF RIGHTS TO SYNBIO

PolyXen License

11.1. Lipoxen hereby grants to SynBio during the term of this Agreement, subject to the provisions of this Agreement, an exclusive license outside the Excluded Field in the SynBio Market to research, develop, manufacture, have manufactured, use, sell, supply and otherwise exploit the SynBio PolyXen Products using:

11.1.1. the PolyXen Patents and the PolyXen Know How;

11.1.2. the Lipoxen Arising IPR;. and

11.1.3. any and all CMO Arising IPR which is owned by Lipoxen or in relation to which Lipoxen has a right to grant a licence.

11.2. The license granted pursuant to clause 11.1 shall expire on a Product by Product basis on the later of the following dates:

11.2.1. the date upon which no Valid Claim of the PolyXen Patents and/or the Lipoxen Arising IPR and/or the CMO Arising IPR exists in the SynBio Market which covers or relates to the relevant Product; or

11.2.2. ten (10) years from the first commercial sale of the relevant Product in the SynBio Market.

PSA Technology Licence

11.3. Lipoxen grants to SynBio a non-exclusive licence to use the PSA Patents and the PSA Know How in the SynBio Market for the term of this Agreement to manufacture PSA:

11.3.1. for use in the development and exploitation of Products by SynBio; and/or

11.3.2. for supply to Lipoxen and/or licensee's of the PolyXen Technology.

Sub-licence of SIIL Technology

11.4. Lipoxen shall, if requested in writing to do so by SynBio, grant to SynBio in the SynBio Market an exclusive sub-licence of the rights granted to Lipoxen by SIIL pursuant to clause 7.1 of the SIIL Agreement. The Parties shall enter into a further agreement setting out the terms of any such sub-licence which shall be entirely consistent with the terms of the SIIL Agreement.

Sub-licensing

11.5. SynBio shall not be entitled to sub-license and/or sub-contract its rights under: (a) clause 11.3 to any person in any event; and (b) otherwise granted under this Agreement to any person without the prior written consent of Lipoxen, such consent not to be unreasonably withheld or delayed, and provided that if consent is granted by Lipoxen:

11.5.1. the term of any sub-licence granted by SynBio will not exceed the term of

this Agreement and will terminate on termination of this Agreement and will expire on expiry of this Agreement;

11.5.2. the provisions of the sub-licence agreement will be consistent with the terms of this Agreement and will prevent further sub-licensing;

11.5.3. SynBio will only be entitled to receive monetary consideration for the grant of a sub-licence;

11.5.4. SynBio shall remain liable for any acts and/or omissions of its sub-licensees as if such acts and omissions had been made by SynBio under this Agreement; and

11.5.5. [***]

No Other License

11.6. It is acknowledged and agreed that no license is granted by Lipoxen to SynBio other than the licenses expressly granted by the provisions of this clause 11. Without prejudice to the generality of the foregoing, Lipoxen reserves all rights under the Lipoxen Patents, the Lipoxen Know How and the Lipoxen Arising IPR:

11.6.1. in relation to any products which are not SynBio Products;

11.6.2. outside the SynBio Market; and

11.6.3. anywhere in the world in the Excluded Field.

Quality

11.7. SynBio shall ensure that all of the SynBio Products sold or supplied by it are of

satisfactory quality and comply with all applicable laws and regulations in each part of the SynBio Market,

Responsibility for development and exploitation

11.8. SynBio shall be exclusively responsible for the technical and commercial development and exploitation of the SynBio Products under the PolyXen Technology in the SynBio Market and accordingly SynBio shall indemnity Lipoxen in the terms of clause 17.4.

11.9. SynBio shall be responsible at its own cost for conducting all pre-clinical and clinical trials which are required to register or obtain marketing authorisations for SynBio Products in the SynBio Market.

Transfer of the PolyXen Technology

11.10. At SynBio's request, at any time during the term of this Agreement Lipoxen shall once only at its own, subject to clause 11.4.2, cost promptly disclose and/or transfer to SynBio, its licensee and/or an Appointed CRO, all PolyXen Know How in Lipoxen's possession that it is legally entitled to disclose and which is reasonably necessary to enable SinBio to undertake Stage 1. The transfer of know how described in clause 11.10 shall in the first instance be achieved by electronic transfer by Lipoxen to SinBio and shall include the transfer to SinBio by Lipoxen of, so far as they fall within the scope of clause 11.10, the items specified in Schedule 11 of this Agreement.

Transfer of the PSA Technology

11.11. At SynBio request, once only at any time during the term of this Agreement and conditional upon the Parties first agreeing reasonably commercial terms upon which SynBio shall supply PSA to Lipoxen and licensees of the PolyXen Technology, Lipoxen shall promptly transfer to SynBio, using a method of know how transfer reasonably acceptable to SynBio,

any and all PSA Manufacturing Know How in Lipoxen's possession which is reasonably necessary to enable SynBio to exercise its rights 11.3.

11.12. For the avoidance of doubt, Lipoxen shall not be obliged to transfer to SynBio and SynBio shall not be entitled to use the PSA Cell Line and the PSA Technology, until the Parties have agreed the terms of and executed an agreement in writing under which SynBio shall supply PSA to Lipoxen and licensees of the PolyXen Technology on reasonable commercial terms.

11.13. If following the electronic transfer referred to in clause 11.10, SynBio notifies Lipoxen in writing that in its reasonable opinion the technology transfer is not complete, the Parties will agree the best method for completing the technology transfer described in clause 11.10 within 30 (thirty) days of SynBio calling for the technology transfer and Lipoxen will thereafter co-operate with SynBio to complete the technology transfer. The parties acknowledge that completion of the technology transfer may subject to clause 11.14.2 and 11.14.3, involve (to the extent the relevant items are within the possession and control of Lipoxen):

11.13.1. the delivery of physical documents which record the relevant know how, including manuals and standard operating procedures;

11.13.2. the delivery of manufacturing process details;

11.13.3. the delivery of analytical methods for starting materials, in-process testing and finished product;

11.13.4. the delivery of analytical results/certificates of analysis;

11.13.5. the delivery of technical regulatory dossiers relating to the relevant technology, including batch records, development reports and production process documentation;

11.13.6. the delivery of any cell lines and other proprietary materials used by Lipoxen in the relevant process;

11.13.7. the detailed inspection of Lipoxen's laboratories and manufacturing facilities engaged in the manufacture of the relevant Product, its Customer's and their representatives;

11.13.8. the secondment of Lipoxen scientists to the laboratory or manufacturing facility of SynBio and/or its licensees and/or its Appointed CRO;

11.13.9. responding to queries from SynBio and/or its licensees orally and in writing.

11.14. The parties agree that:-

11.14.1. if Lipoxen is in breach of any of the terms of clause 11.13.7 to 11.3.9, SynBio shall be entitled to withhold payments due to Lipoxen pursuant to Schedule 10 of this Agreement until such time as the breach has been remedied by Lipoxen;

11.14.2. if Lipoxen is obliged to spend more than the Know How Transfer Time to achieve the technology transfers pursuant to clauses 11.10 and 11.11, it shall be entitled to charge SinBio for any time spent in excess of the Know How Transfer Time on a charge out basis. SinBio shall be entitled to specify the manner in which such man-hours of training shall be divided between the various SinBio Products; and

11.14.3. Lipoxen shall not be obliged to carry out any practical transfer of the technology marked with a in Schedule 12 of this Agreement.

Transfer of the SIIL Technology

11.15. If requested to do so by SynBio and subject to SynBio compensating Lipoxen for any payments to SIIL trigerred by the relevant technology transfer, Lipoxen will use its reasonable endeavours to ensure that SynBio enjoys the benefit of any technology transfer implemented by Lipoxen pursuant to clause 7.4 of the SIIL Agreement.

12. SYNBIO DILIGENCE

12.1. SynBio shall diligently proceed to develop and commercially exploit SynBio Products to the maximum extent in the SynBio Market.

12.2. Without prejudice to the generality of SynBio's obligations under clause 12.1, SynBio shall use its best endeavours to meet the milestones set out in Schedule 12 at the times set out in Schedule 12.

12.3. During the term of this Agreement, SynBio shall provide Lipoxen with a written report at the end of each three (3) months period setting out the results of all research and development carried out by SynBio in such period in relation to the SynBio Products.

12.4. During the term of this Agreement, SynBio shall provide to Lipoxen an annual written development plan, showing all past, current and projected activities taken or to be taken by SynBio to bring SynBio Products to market and to maximise the sale of SynBio Products in the SynBio Market. Lipoxen's receipt or approval of any such plan shall not be taken to waive or qualify SynBio's obligations under clauses 12.1 and 12.2.

12.5. SynBio shall immediately notify Lipoxen by telephone, confirmed by fax, if it becomes aware of any circumstances that are likely to significantly delay the achievement of the milestones set out in Schedule 12.

13. LIPOXEN DILIGENCE

13.1. Lipoxen shall use Diligent and Reasonable Efforts to proceed to develop and commercially exploit Lipoxen Development Products to the maximum extent as permitted by regulators in the Lipoxen Market.

13.2. Without prejudice to the generality of Lipoxen's obligations under clause 13.1, Lipoxen shall use Diligent and Reasonable Efforts to meet the milestones set out in Schedule 12 at the times set out in Schedule 12.

13.3. During the term of this Agreement, Lipoxen shall provide SynBio with a written report at the end of each three (3) months period setting out the results of all research and development carried out by Lipoxen in such period in relation to the Lipoxen Products.

13.4. During the term of this Agreement, Lipoxen shall provide to SynBio via Lipoxen PLC board meetings an annual written development plan, showing all past, current and projected activities taken or to be taken by Lipoxen to bring Lipoxen Products to market and to maximise the sale of Lipoxen Products in the Lipoxen Market. SynBio shall immediately notify Lipoxen by telephone, confirmed by fax, if it becomes aware of any problems that are likely to significantly delay the achievement of the milestones set out in Schedule 12.

14. RECORDS AND ACCOUNTS

14.1. Lipoxen and SynBio shall during the term of this Agreement and for a period of five (5) years thereafter, keep at their normal place of business detailed and up-to-date records and accounts showing:

14.1.1. any and all costs and expenses it has incurred in relation to the Development Program, including its costs and expenses relating to the Clinical Trials;

14.1.2. any and all costs and expenses it has borne in relation to Third Party IP Rights; and

14.1.3. the quantity, description, and value of Products sold by it, on a country-by- country basis, and being sufficient to ascertain the payments due under this Agreement.

14.2. [***]

15. COSTS AND REVENUE SHARING

15.1. Lipoxen and SynBio shall each be entirely responsible for their own Stage 1 Costs, Stage 2 Costs and Stage 3 Costs which they incur.

15.2. Prior to calculating and accounting to SynBio for the royalties set out in Schedule 10 of this Agreement Lipoxen shall be entitled to deduct from Lipoxen Net Sales and Lipoxen Net Receipts:

15.2.1. any and all costs and expenses reasonably incurred by Lipoxen in relation to any clinical trials relating to Lipoxen Royalty Products;

15.2.2. any costs and expenses borne by Lipoxen pursuant to clauses 9.21 and/or 9.23 of this Agreement; and

15.2.3. any and all license fees, milestones and royalties paid to third parties by Lipoxen (or an Affiliate of Lipoxen) in relation to the Oncohist Technology, including any and all sums paid to the Parties listed in Schedule 13 of this Agreement.

15.3. Prior to calculating and accounting to Lipoxen for the royalties set out in Schedule 10 of this Agreement, SynBio shall be entitled to deduct from SynBio Net Sales:

15.3.1. any and all costs and expenses reasonably incurred by SynBio in relation to any clinical trials relating to SynBio Royalty Products; and

15.3.2. any costs and expenses borne by SynBio pursuant to clauses 9.21 and/or 9.22.

15.4. Subject to clauses 15.2 and 15,3, the Parties agree that the revenues from the Products shall be shared by the Parties as set out in Schedule 10 of this Agreement.

16. PAYMENT TERMS

16.1. All sums due under this Agreement:

16.1.1. are exclusive of value added tax or any other sales tax or duties, which if and where applicable will be paid by the payer to the payee in addition to any sum in respect of which they are calculated;

16.1.2. shall be paid in US dollars to the credit of the payee's bank account, details of which shall be notified to the payer as and when necessary;

16.1.3. shall be made without deduction of income tax or other taxes charges or duties that may be imposed, except insofar as the payer is required to deduct the same to comply with applicable laws. The Parties shall co- operate and take all steps reasonably and lawfully available to them, at the expense of the payee, to avoid deducting such taxes and to obtain double taxation relief. If the payer is required to make any such deduction it shall provide the payee with such certificates or other documents as it can reasonably obtain to enable the payee to obtain appropriate relief from double taxation of the payment in question; and

16.1.4. [***]

16.2. If either Party is obliged pursuant to a government order or otherwise to withhold payment of any sum due under this Agreement to the other Party, the payer shall use its best endeavors to release the payment to the other Party. If the payment has not been released within thirty (30) days of its due date for payment, the payee shall be entitled to deduct the payment from any sums to the payer from the payee pursuant to this Agreement.

16.3. Subject to clause 16.1, the Parties agree that each Party shall be responsible for paying any taxes arising pursuant to or in relation to this Agreement for which the Party is primarily liable.

16.4. The Parties agree that they will use their best endeavors to collaborate to establish a corporate structure for the licensing of the Products and for the receipt of any revenues that is tax efficient for the Parties.

16.5. Each Party shall provide to the other within thirty (30) days of the end of each Quarter with a royalty statement for that Quarter which contains sufficient information to enable the other Party to calculate and verify any sums due to it pursuant to clause 15.4 and Schedule 10 of this Agreement.

17. LIABILITY

17.1. SynBio shall be responsible for all risks and liability arising from or in relation to the SynBio Trials and/or SynBio's development, sale and/or supply of SynBio Products in the SynBio Market, including any and all third party claims relating to the SynBio Products under product liability laws. SynBio shall maintain appropriate insurance to cover any such liability. SynBio shall, if requested to do so by Lipoxen, provide evidence to Lipoxen that it has complied with the terms of this clause.

17.2. Lipoxen shall be responsible for all risks and liability arising from or in relation to the Lipoxen Trials and/or Lipoxen's development, sale and/or supply of Lipoxen Products in the Lipoxen Market, including any and all third party claims relating to the Lipoxen Products under product liability laws. Lipoxen shall maintain appropriate insurance to cover any such liability. Lipoxen shall, if requested to do so by SynBio, provide evidence to SynBio that it has complied with the terms of this clause.

17.3. Lipoxen shall indemnify and shall keep SynBio indemnified against any and all liability, damages, claims, proceedings and expenses (including, but not limited to, legal expenses and expert's fees) arising out of or in connection with the Lipoxen Trials and/or Lipoxen's development, sale and/or supply of Lipoxen Products in the Lipoxen Market provided that Lipoxen shall not be liable under this clause 17.3 for any and all liability, damages, claims, proceedings and expenses (including but not limited to, legal expenses and expert's fees) that arise directly as a result of (a) express instructions received from SynBio in relation to conduct of the Lipoxen Trials; (b) a breach of this Agreement by SynBio; and/or (c) the negligence of SynBio.

17.4. SynBio shall indemnify and shall keep Lipoxen indemnified against any and all liability, damages, claims, proceedings and expenses (including, but not limited to, legal expenses and expert's fees) arising out of or in connection with the SynBio Trials and/or SynBio's development, sale and/or supply of SynBio Products in the SynBio Market provided that SynBio shall not be liable under this clause 17.4 for any and all liability, damages, claims, proceedings and expenses (including but not limited to, legal expenses and expert's fees) that arise directly as a result of (a) express instructions received from Lipoxen in relation to conduct of the SynBio Trials, (b) breach of this Agreement by Lipoxen; and/or (c) the negligence of Lipoxen.

17.5. All statements, representations (other than fraudulent misrepresentations), warranties, terms and conditions (whether express or implied) as to the suitability and/or usefulness of the Lipoxen Technology for any particular purpose including without limitation the development of SynBio Products are hereby excluded to the maximum extent permissible by law.

17.6. Without prejudice to the generality of Clause 17.5, Lipoxen does not give any warranty, representation or undertaking:

17.6.1. as to the efficacy, usefulness, safety or commercial or technical viability of the Lipoxen Technology and/or any products made or processes carried out using the Lipoxen Technology;

17.6.2. as to the volumes or quality of the SynBio Products which may be manufactured through the use of the Lipoxen Technology;

17.6.3. that any of the Lipoxen Patents are or will be valid or that any of the Lipoxen Patents will proceed to grant;

17.6.4. that the Lipoxen Technology can be freely exploited in all or any parts of the SynBio Market; and/or

17.6.5. that the Lipoxen Technology will not infringe the Intellectual Property Rights or other rights of any third party.

18. CONFIDENTIALITY AND PUBLICATION

18.1. Each Party (the "Receiving Party") undertakes:

18.1.1. to maintain as secret and confidential all Confidential Information obtained directly or indirectly from the other Party ("Disclosing Party") in the course of performing of obligations or in anticipation of this Agreement;

18.1.2. to use and disclose the Confidential Information of the other Party only for the purposes of this Agreement and/or in so far as such use and/or disclosure is reasonably required to enable the Party to exploit its rights under this Agreement;

18.1.3. to disclose the Confidential Information of the other Party only to those of its employees, contractors, and sub-licensees to whom and to the extent that such disclosure is reasonably necessary for the purposes of exploiting its rights and complying with its obligations under this Agreement, including disclosure to the appointed CRO and professional consultants;

18.1.4. to comply with the obligations of this clause 18 for so long as it has knowledge of any Confidential Information received or derived from the other Party which period shall, for the avoidance of doubt, survive termination or expiry of this Agreement.

18.2. The provisions of clause 18.1 shall not apply to Confidential Information which the Receiving Party can prove:

18.2.1. was, prior to its receipt by the Receiving Party from the Disclosing Party, in the possession of the Receiving Party and at Us free disposal;

18.2.2. is subsequently disclosed to the Receiving Party without any obligations of confidence by a third party who has not derived it directly or indirectly from the Disclosing Party;

18.2.3. is or becomes generally available to the public through no act or default of the Receiving Party or its agents, employees, Affiliates or sub-licensees;

18.2.4. the Receiving Party is required to disclose to the courts of any competent jurisdiction, or to any government regulatory agency or financial authority, provided that the Receiving Party shall:

(i) inform the Disclosing Party as soon as is reasonably practicable of its obligation to disclose such information; and

(ii) at the Disclosing Party’s request seek to persuade the court, agency

or authority to have such information treated in a confidential manner, where this is possible under the court, agency or authority's procedures.

18.3. The Receiving Patty shall procure that all of its employees, contractors who have access to any of the Disclosing Party's Confidential Information, shall be made aware of and subject to these obligations and shall have entered into written undertakings of confidentiality at least as restrictive as those set out in this clause 18.

18.4. The Parties agree that any publications relating to the Results shall be approved in advance by the Scientific Subcommittee. Any publications shall acknowledge both Parties appropriately, and Lipoxen shall have the first right to submit any paper for publication.

19. DURATION AND TERMINATION

19.1. This Agreement shall commence on the Commencement Date and shall continue until it expires in accordance with Clause 2.6 of this Agreement or terminated in accordance with terms of this Agreement.

19.2. Without prejudice to any other right or remedy any Party may terminate this Agreement by notice in writing to the other Party ("Other Party"), such notice to take effect as specified in the notice:

19.2.1. if the Other Party is in material breach of this Agreement and, in the case of a breach capable of remedy, the breach is not remedied within 90 (ninety) days of the Other Party receiving notice specifying the breach and requiring its remedy; and/or

19.2.2. if (A) the Other Party becomes insolvent or unable to pay its debts as and when they become due, or (B) an order is made or a resolution is passed for the winding up of Other Party (other than voluntarily for the purpose of solvent amalgamation or reconstruction), or (C) a liquidator, administrator, administrative receiver, receiver, or trustee is appointed in respect of the whole or any part of the Other Party's assets or business, or (D) the Other Party makes any composition with its creditors, or (E) the Other Party ceases to continue its business, or (F) as a result of debt and/or maladministration the Other Party takes or suffers any similar or analogous action in any jurisdiction.

19.3. If SynBio is in breach of clauses 4.2.1 or 4.2.2 of this Agreement in relation to one or more SynBio Products then, if SynBio does not remedy the breach within three (3) months of receiving written notice of the breach from Lipoxen, Lipoxen shall be entitled to terminate this Agreement in relation to the SynBio Product or SynBio Products to which the breach relates with immediate effect by notice in writing to SynBio.

19.4. If Lipoxen is in breach of clauses 5.2.1 or 5.2.2 of this Agreement in relation to one or more Lipoxen Products then, if Lipoxen does not remedy the breach within three (3) months of receiving written notice of the breach from SynBio, SynBio shall be entitled to terminate this Agreement in relation to the Lipoxen Product or Lipoxen Products to which the breach relates with immediate effect by notice in writing to Lipoxen.

19.5. Lipoxen may terminate this Agreement in accordance with clause 9.13 in relation to a Product.

19.6. Either Party may terminate this Agreement by immediate written notice in writing to the other Party in relation to a specific Product if the Scientific Subcommittee decides that the relevant Product does not meet the relevant Success Criteria for the Product.

19.7. Any Party may terminate this Agreement with immediate effect by giving written notice to the other party if this other Party or any of its Affiliates commences legal proceedings, or assists any third party to commence legal proceedings, to challenge the validity of any of the patents of the other Party or to challenge the secrecy or substantiality of any of the other Party's know-how.

20. CONSEQUENCES OF TERMINATION

20.1. Upon termination or expiry of this Agreement for any reason:

20.1.1. the Parties shall provide to each other detailed reports setting out the progress each has made with the Development Program;

20.1.2. the Parties shall return to each other all data, know-how and materials provided to each other by the other Party, or generated by the Parties in connection with the Development Program;

20.1.3. any rights or remedies of any of the Parties arising from any breach of this Agreement shall continue to be enforceable;

20.1.4. SynBio shall no longer be licensed to use the Lipoxen Technology and shall immediately cease any activity requiring a license under this Agreement;

20.1.5. SynBio shall no longer be entitled to exercise the sub-licence set out in clause 11.4 and shall immediately cease any activity requiring a sub-licence under the SIIL Agreement;

20.1.6. subject to clause 20.1.7, Lipoxen shall no longer be licensed to use the SynBio Background IP, SynBio Arising IPR and SynBio Cell Lines (excluding the SIIL Cell Line as defined in the SIIL Agreement) and shall immediately cease any activity requiring a license from SynBio under this Agreement;

20.1.7. the following clauses shall continue in full force and effect: 1, 6.8, 9.1 to 9.9, 10.2, 10.7 to 10.9, 14, 15 (in so far as it relates to liability arising prior to termination) 16, 17, 18, 20, 21;

20.1.8. each Party shall if requested in writing to do so by the other Party comply with any technology transfer provisions of this Agreement relating to any Intellectual Property Rights and materials (such as cell lines) which the requesting party has a right to own and/or use following termination and/or expiry of this Agreement and in relation to which a satisfactory technology transfer has not previously occurred;

20.1.9. each Party shall return to the other within a reasonable period of time all Confidential Information and any copies thereof disclosed to it by the other Party.

20.1.10. Upon expiry or termination of this Agreement in relation to one or more Products, the consequences set out in clause 20.1 shall apply but only in so far as they relate to the relevant Product.

21. GENERAL

Amendment

21.1. This Agreement may only be amended in writing signed by duly authorized representatives of the Parties or by the Scientific Subcommittee as is expressly set out in this Agreement.

Assignment and third party rights

21.2. Other than as is expressly set out in this Agreement, none of the Parties shall assign, mortgage, charge or otherwise transfer any rights or obligations under this Agreement without the prior written consent of the other Party.

21.3. Any of the Parties may assign all its rights and obligations under this Agreement to any Person to which it transfers all of its assets or business, provided that the assignee undertakes to the other Parties to be bound by and perform the obligations of the assignor under this Agreement.

Waiver

21.4. No failure or delay on the part of any Party to exercise any right or remedy under this Agreement shall be construed or operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude the further exercise of such right or remedy.

Invalid clause

21.5. If any provision or part of this Agreement is held to be void or invalid, amendments to this Agreement may be made by the addition or deletion of wording as appropriate to remove the void or invalid part or provision but otherwise retain the provision and the other provisions of this Agreement to the maximum extent permissible under applicable law. The Parties shall endeavor to agree amendments to such void or invalid provisions in a reasonable manner so as to achieve the original intention of the Parties.

Change of Control

21.6. Any substantial change in the management and control of either of the Parties and/or any merger of either of the Parties with another entity shall not result in termination of this Agreement and it shall be the responsibility of the then existing management of the Party to see that the continuity of this Agreement is maintained in all respects and the agreement shall continue to be in force.

Formal licenses

21.7. The Parties shall execute such formal licenses, documents as may be necessary or appropriate for registration of the rights granted under this Agreement with Patent Offices and other relevant authorities. The Parties shall use reasonable endeavors to ensure that, to the extent permitted by relevant authorities and unless required to submit this Agreement by any order of law, this Agreement shall not form part of any public record.

Role of Parties

21.8. The Parties hereto expressly understand and agree that Lipoxen and SynBio are independent contractors in the performance of each and every part of this Agreement and nothing contained herein shall be construed as creating any agency, partnership or other form of joint enterprise between the Parties.

Interpretation

21.9. In this Agreement:

21.9.1. the headings are used for convenience only and shall not affect its interpretation;

21.9.2. references to persons shall include incorporated and unincorporated persons; references to the singular include the plural and vice versa; and references to the masculine include the feminine;

21.9.3. references to clauses and Schedules mean clauses of, and schedules to, this Agreement; and

21.9.4. references to the grant of "exclusive" rights shall mean that the person granting the rights shall neither grant the same rights (in the same field and territory) to any other person, nor exercise those rights itself.

Notices

21.10. Any notice to be given under this Agreement shall be in writing and shall be sent by first class mail or air mail, or by fax (confirmed by first class mail or air mail) to the address of the relevant Party set out at the head of this Agreement, or to the relevant fax number set out below, or such other address or fax number as that Party may from time to time notify to the other Parties in accordance with this clause. The fax numbers of the Parties are as follows:

21.10.1. [***]

[***]

21.10.2. [***]

[***]

Notices sent as specified in clause 21.13 shall be deemed to have been received three working days after the day of posting (in the case of inland first class mail), or ten working days after the date of posting (in the case of air mail), or on the next working day after transmission (in the case of fax messages, but only if a transmission report is generated by the sender's fax machine recording a message from the recipient's fax machine, confirming that the fax was sent to the number indicated above and confirming that all pages were successfully transmitted).

Governing Law and Settlement of Disputes

21.11. This Agreement, including any non-contractual obligations arising out of or in connection with this Agreement, shall be governed by and construed in accordance with English law. This provision does not affect the application of the mandatory rules of Russian law established under Article 1192 of the civil Code of the Russian Federation to this Agreement which apply in any event.

21.12. If any dispute, controversy or claim of whatever nature arises under, out of or in connection with this Agreement, including any question regarding its existence, validity or termination or any non-contractual obligations arising out of or in connection with this Agreement (a "Dispute"), the Parties shall use all reasonable endeavours to resolve the matter amicably. If one Party gives the others notice that a Dispute has arisen and the Parties are unable to resolve the

Dispute within thirty (30) days of service of the notice then the Dispute shall be referred to the respective chief executive officers of the Parties who shall attempt to resolve the Dispute. No Party shall resort to arbitration against any other Party under this Agreement until thirty (30) days after such referral.

21.13. All Disputes which are unresolved pursuant to Clause 21.14 and which a Party wishes to have resolved shall be referred upon the application of any Party to, and finally settled by, arbitration under the Rules of Arbitration of the London Court of International Arbitration ("LCIA") (the "Rules") in force at the date of this Agreement, which Rules are deemed to be incorporated by reference to this Clause. The number of arbitrators shall be three (3), appointed in accordance with the Rules. The LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a Party is a national of that country. The seat of the arbitration shall be London. The language of this arbitration shall be English.

21.14. The arbitrators shall have the power to grant any legal or equitable remedy or relief available under law, including injunctive relief (whether interim and/or final) and specific performance and any measures ordered by the arbitrators may be specifically enforced by any court of competent jurisdiction. Each Party retains the right to seek interim or provisional measures, including injunctive relief and including pre-arbitral attachments or injunctions, from any court of competent jurisdiction and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate. For the avoidance of doubt, this Clause is not intended to limit the powers of the court exercisable in support of arbitration proceedings pursuant to s.44 of the Arbitration Act 1996.

Severability

21.15. If any provision of this Agreement is found by the competent court illegal, invalid or unenforceable in any respect under the applicable law, then such provision (insofar as it is invalid or not enforceable) shall be deemed as not included in this Agreement, but this does not invalidate the remaining provisions of this Agreement. The Parties shall make every reasonable effort to replace the invalid or not enforceable provision or provisions (if applicable) with valid and enforceable which is as close as possible to the proposed action of the invalid or unenforceable provision.

Further action

21.16. Each Party agrees to execute, acknowledge and deliver such further instruments, and do all further similar acts, as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

Announcements

21.17. Neither Party shall make any press or other public announcement concerning any aspect of this Agreement, or make any use of the name of the other Party in connection with or in consequence of this Agreement, without the prior written consent of the other Party. The Parties agree that any agreed announcements will refer to Open joint-stock company "RUSNANO", a legal entity organized and existing under the laws of the Russian Federation, with main state registration number (OGRN) 1117799004333, located at: Russia, Moscow, 117036, avenue of 60-letiya Oktyabrya, 10A as the Party to the Project.

Entire agreement

21.18. This Agreement, including its Schedules, the Subscription Agreement and the Relationship Deed sets out the entire agreement between the Parties relating to its subject matter and supersedes all prior oral or written agreements, arrangements or understandings between them relating to such, subject matter. The terms of the Subscription Agreement and the Relationship Deed shall take precedence to the extent that there is any conflict between the terms of the Subscription Agreement and/or the Relationship Deed and the terms of this Agreement.

21.19. The Parties acknowledge that they are not relying on any representation, agreement, term or condition which is not set out in this Agreement.

21.20. Nothing in this Agreement shall exclude any of the Parties' liability for fraudulent misrepresentation.

Third parties

21.21. With the exception of any rights expressly created in this Agreement in favor of Affiliates of Lipoxen, this Agreement does not create any right enforceable by any person who is not a Party to it.

Translations

21.22. The Parties agree that a translation of this Agreement into the Russian language (the "Translation") shall be prepared and be fully equal but to the extent that there is any conflict between the terms of this Agreement and the terms of the Translation, the Parties agree that the terms of this Agreement shall prevail.

AGREED by the Parties through their authorized signatories on the date written above:

For and on behalf of **Lipoxen PLC**

Signed /s/ M. Scott Maguire

Print name M. Scott Maguire

Title CEO

For and on behalf of **Lipoxen Technologies Limited**

Signed /s/ M. Scott Maguire

Print name M. Scott Maguire

Title CEO

For and on behalf of **SynBio LLC**

Signed

Print name

Title

AGREED by the Parties through their authorized signatories on the date written above:

For and on behalf of **Lipoxen PLC**

Signed

Print name

Title

For and on behalf of **Lipoxen Technologies Limited**

Signed

Print name

Title

For and on behalf of **SynBio LLC**

Signed /s/ Kruglyakov Peter

Print name Kruglyakov Peter

Title General Director

AGREED by the Parties through their authorized signatories on the date written above:

For and on behalf of **Lipoxen PLC**

Signed /s/ Colin Hill

Print name Colin Hill

Title DIRECTOR

For and on behalf of **Lipoxen Technologies Limited**

Signed /s/ M. Scott Maguire

Print name M. Scott Maguire

Title CEO

For and on behalf of **SynBio LLC**

Signed /s/ Peter Kruglyakov

Print name Peter Kruglyakov

Title CEO

SCHEDULE 1

DEVELOPMENT PROGRAM

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SCHEDULE 6

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SCHEDULE 7

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SCHEDULE 8

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SCHEDULE 9

MEMBERS OF THE SCIENTIFIC SUBCOMMITTEE

SYNBIO

Dmitry Genkin, Peter Kruglyakov

LIPOXEN

Two of any of the following four:

Brian Richards
David Moss
Scott Maguire
Sanjay Jain

SCHEDULE 10

REVENUE SHARING

1. For the purposes of this Schedule 11, the following words shall have the following meaning:

"Lipoxen Net Sales"	the amount received by Lipoxen and/or its Affiliates from third parties in respect of supplies of Lipoxen Royalty Products in arms length transactions (or the amount that would have been received if the transactions had been at arms length) less the following items provided they are shown in writing on the relevant invoice or in other documentary evidence: sales taxes, costs of delivery, customary trade discounts actually granted, amounts actually repaid or credited for defective or returned and, in the case of export orders, any import duties or similar applicable governmental levies and any government rebates charged on the purchase price of the Lipoxen Royalty Products;
"Lipoxen Net Receipts"	all signing fees, milestones, royalties and other licence fees (excluding research and development fees) received by Lipoxen and/or its Affiliates from sub-licensees in respect of rights acquired by the sub-licensee to market, sell and supply Lipoxen Royalty Products, less any less any Value Added Tax or other sales tax and any direct and/or third party costs and/or expenses incurred by Lipoxen in procuring payment of such sums;
"SynBio Net Sales"	the amount received by SynBio and/or its Affiliates from third parties in respect of sales and/or

supplies of SynBio Royalty Products in arms length transactions (or the amount received if the transactions had been at arms length) less the following items provided they are shown in writing on the relevant invoice or in other documentary evidence: sales taxes, costs of delivery, customary trade discounts actually granted, amounts actually repaid or credited for defective or returned.

2. [***]

(a) become due 30 (thirty) days after the expiry of the Quarter in which the SynBio Royalty Products to which the royalty relate were sold and/or supplied by SynBio;

(b) be payable for a period which, on a Product by Product basis, shall commence on first commercial sale of the relevant Product in the SynBio Market and shall expire on whichever is later: (a) the date of expiry of the licence in relation to the relevant Product granted to SynBio pursuant to clause 11.1 of this Agreement; and/or (b) fen (10) years from the date of first commercial sale of the relevant Product in the SynBio Market.

3. [***]

(a) become due 30 (thirty) days after the expiry of the Quarter in which the relevant Lipoxen Net Sales were received by Lipoxen; and

(b) be payable for a period which, on a Lipoxen Royalty Product by Lipoxen Royalty Product basis, shall commence on first commercial sale of the relevant Lipoxen Royalty Product in the Lipoxen Market and shall expire on whichever is later: (a) the date of expiry of

the licence in relation to the relevant Lipoxen Royalty Product granted to Lipoxen pursuant to clause 10.7 of this Agreement; and/or (b) ten (10) years from the date of first commercial sale of the relevant Lipoxen Royalty Product in the Lipoxen Market.

4. [***]

(a) become due 30 (thirty) days after the expiry of the Quarter in which the relevant Lipoxen Net Receipts were received by Lipoxen; and

(b) be payable for a period which, on a Product by Product basis, shall commence on the receipt by Lipoxen of the Clinical Dossier relating to the relevant Product and shall expire 10 (ten) years thereafter.

SCHEDULE 11

[***]

[***]

SCHEDULE 12

[***]

[***]

SCHEDULE 13

[***]

[***]

[***]

[***]

[***]

[***]

[***]

Exhibit 10.19

DATED 4 August **2011**

(1) SynBio LLC

(2) Lipoxen Plc

SUBSCRIPTION AGREEMENT

in respect of ordinary shares
in the capital of
Lipoxen plc

THIS AGREEMENT is made on 2011

BETWEEN:

(1) SynBio LLC, a limited liability company incorporated under the laws of the Russian Federation, Main State Registration Number 1117746126321, having its registered office at building 2, 55/1, Leninsky Prospekt, Moscow, Russian Federation (the “Subscriber”); and

(2) LIPOXEN PLC a company incorporated under the laws of England and Wales with Company number 03213174 whose registered office is at London Bioscience Innovation Centre, 2 Royal College Street, London NWl ONH, Great Britain (the “Issuer”).

RECITALS

(A) The Issuer is a public limited company incorporated under the laws of England and Wales. The Issuer’s Ordinary Shares are admitted to trading on AIM.

(B) The Issuer, Lipoxen Technologies Ltd and the Subscriber are to be participants in a project, pursuant to the terms of a co-development agreement to be entered into between such parties (the “Project”).

(C) In connection with the Project, the Subscriber wishes to invest in the Issuer.

(D) Accordingly, the Subscriber has agreed to subscribe, and the Issuer has agreed to issue and allot to the Subscriber, 110,800,000 new Ordinary Shares subject to the conditions and on the terms of this Agreement.

(E) The Parties intend that all the actions in relation to the signing of this Agreement and the issue of shares to the Subscriber referred to in Recital (D) above will take place in London.

(F) Completion of this Agreement is conditional upon certain events, including, inter alia, approval of certain resolutions at a general meeting of the Issuer's shareholders.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 In this Agreement including in the Recitals and Schedules hereto, the following words and expressions shall have the following meanings:

"Accounting Date" means 31 December 2010;

"Admission" means the admission of the Subscription Shares to trading on AIM becoming effective in accordance with paragraph 6 of the AIM Rules, and references to the Subscription Shares being

"Admitted" shall be construed accordingly;

"Agreement" means this agreement as the same may be amended by the Parties hereto in accordance with the provisions hereof;

"Announcement" means the RNS announcement in relation to information set out in the Circular in the agreed form;

"AIM" means the market of that name operated by the London Stock Exchange;

"AIM Rules" means the AIM Rules for Companies published by the London Stock Exchange for the time being in force;

"Applicable Law" means the laws, decrees regulations or any type of primary or secondary legislation which is at the time of this Agreement in force in the United Kingdom or in the Russian Federation, as the case may be;

"Business Day" means a day (not being a Saturday or a Sunday) on which banks generally are open for business in London and Moscow;

"Circular" means the circular as required under, *inter alia,* Rule 9 of the City Code as agreed by the Panel on Takeovers and Mergers, and to be sent by the Issuer to its shareholders in connection with the transactions hereby contemplated;

"City Code" means the City Code on Takeovers and Mergers;

"Co-Development Agreement" means the co-development agreement entered into between the Issuer, the Subscriber and Lipoxen Technologies Ltd on or around the date hereof;

"Co-Development Agreement Condition Precedent" shall have the meaning ascribed in Clause 2.1(B); ·

"Companies Act" means the Companies Act 2006;

"Completion" means completion of this Agreement as provided in Clause 6;

"Completion Date" means, unless the Parties shall otherwise agree:

(A) the first Business Day after Pre-Completion takes place; or

(B) as the context may require, the date on which Completion takes place;

"Conditions Precedent" means the Conditions Precedent set out in Clause 2;

"Conditions Precedent Date" means 30 September 2011 or such later date as the Parties may agree in writing for satisfaction of the Conditions Precedent;

"Consideration" has the meaning ascribed in Clause 5;

"Enabling Resolutions" shall have the meaning ascribed in Clause 2.1(D);

"Encumbrance" means any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or other interest or equity, security interest of any kind or another type of preferential arrangement (including, without limitation, a title transfer and retention arrangement) having similar effect, and **"Encumbering"** shall be construed accordingly;

"Escrow Deed" means the deed of adherence in relation to arrangements under the Purchase Agreement including, *inter alia,* certain of the consideration shares held in escrow, to be entered into on or around the date hereof;

"FDS Pharma" means the limited liability partnership "FDS Pharma LLP", a legal entity incorporated and existing under the laws of England and Wales, with its registered office at: Hillbrow House, Hillbrow Road, Esher, Surrey, KTlO 9NW, United Kingdom, registration number LP005073;

[***]

"GM" shall have the meaning ascribed in Clause 2.5(A);

"GM Notice" means the notice to convene the GM included within the Circular;

"Group" means the Issuer and Lipoxen Technologies Ltd (and, where the context permits, each of them);

"Group IP Rights" means:

(A) all intellectual property assets and rights (together the **"IP Rights")** in relation to (i) Histone; and (ii) the Polyxen Technology being owned, licensed or otherwise held or used by any Group entity; and

(B) all IP Rights owned, licensed or otherwise held or used by any Group entity and **"Group IP"** shall be construed accordingly, and for these purposes "intellectual property" means (i) patents; (ii) applications for patents; (iii) designs (registered or unregistered and including applications for registered designs); (iv) registered trade marks and applications for the registration of trade marks; (v) rights in know-how, trade secrets and confidential information; (vi) copyright, (vii) rights in inventions; (viii) rights in scientific, technical and manufacturing data; (ix) rights in plans, specifications and calculations; (x) unregistered trade marks;
(xi) database rights; (xii) domain names; and (xiii) all corresponding, equivalent or comparable rights existing in any territory or jurisdiction outside the United Kingdom relating to the Group's current or proposed business activities, as set out in the Co-Development Agreement;

"Histone" has the meaning given in the Co-Development Agreement;

"ICTA" means the Income and Corporation Taxes Act 1988;

"Interim Period" means the period commencing on the date of this Agreement and ending on the earlier to occur of (i) Completion; or (ii) lapse or termination of this Agreement;

"Irrevocable Undertaking" means the irrevocable undertakings and the marketing agreement entered into by the Issuer's Majority Shareholders with the Issuer in respect of, *inter alia,* their voting rights in relation to the Enabling Resolutions;

"Issuer's Majority Shareholders" means: [***] Mr Genkin Dmitry Dmitrievich, citizen of the Russian Federation, [***] [***] (ii) Mr Igor Nikolaev, citizen of the Russian Federation, [***]

"Issuer's Solicitors" means Pinsent Masons LLP of 30 Crown Place, London EC2A 4ES;

"Issuer's Warranties" means the warranties set out in Schedule 2;

Lipoxen Technologies Ltd means a legal entity registered under the laws of England whose registered office is at London Bioscience Innovation Centre, 2 Royal College Street, London, NWl ONH, United Kingdom, company registration number 03401495;

"London Stock Exchange" means the London Stock Exchange plc;

"Ordinary Share" means an ordinary share of 0.5p each in the capital of the Issuer and **"Ordinary Shares"** shall be construed accordingly;

"Parties" means the parties to this Agreement;

"Patents" means all granted patents and applications for patents (whether owned by, or licensed to, any Group member) expressly referred to or identified in the Co-Development Agreement;

"Polyxen Technology" has the meaning given in the Co-Development Agreement;

"Pre-Completion" means Pre-Completion of this Agreement as provided in Clause 6;

"Pre-Completion Date" means the date falling at least three Business Days prior to the Completion Date or such other date for Pre-Completion as the Parties may agree in writing;

“Purchase Agreement” has the meaning given in Clause 2.1(C);

“Related Agreements” means the Co-Development Agreement, the Relationship Deed and any other agreement, document or instrument contemplated by the foregoing agreements or designated by the Parties m writing as a “Related Agreement”;

“Relationship Deed” means the agreement to regulate the relationship between the Subscriber and the Issuer in the agreed form;

“Resolutions Condition Precedent” shall have the meaning ascribed in Clause 2.l(D);

“RNS” has the meaning given to such term in the AIM Rules;

“Shareholder Register” means the register of the Issuer’s shareholders that exists under the laws of England and Wales;

“Share Registrar” means the company which maintains the Shareholder Register;

“Subscriber’s Solicitors” means White & Case LLP of 5 Old Broad Street, London EC2N lDW;

“Subscriber’s Warranties” means the warranties set out in Schedule 1;

“Subscription Price” means the price of 11p per new Ordinary Share;

“Subscription Shares” means 110,800,000 new Ordinary Shares;

“SymbioTec” means SymbioTec GmbH located at: Saarbriicken, Gennany, organized in accordance with certificate of acknowledgment No. UR 849/2008 of October 11, 1988 and existing under the laws of Germany;

"Warranties" means the Subscriber's Warranties and the Issuer's Warranties.

1.2 The expression **"in the agreed terms"** means in the form agreed between the Subscriber and the Issuer and signed for the purposes of identification by or on behalf of the Subscriber and the Issuer.

1.3 Any reference to **"writing"** or **"written"** means any method of reproducing words in a legible and non-transitory form (excluding, for the avoidance of doubt, email).

1.4 References to **"include"** or **"including"** are to be construed without limitation.

1.5 References to a **"company"** include any company, corporation or other body corporate wherever and however incorporated or established.

1.6 References to a **"person"** include any company, partnership, joint venture, firm, association, trust and any governmental or regulatory authority.

1.7 The expressions **"body corporate", "holding company", "parent undertaking", "subsidiary"** and **"subsidiary undertaking"** shall have the meanings given in the Companies Act.

1.8 The table of contents and headings are inserted for convenience only and do not affect the construction of this Agreement.

1.9 Unless the context otherwise requires, words in the singular include the plural and *vice versa,* and a reference to any gender includes all other genders.

1.10 References to Clauses, paragraphs and Schedules are to Clauses and paragraphs of, and schedules to, this Agreement. The Schedules form part of this Agreement.

1.11 References *to* any statute or statutory provision include a reference to that statute or statutory provision as amended, consolidated or replaced from time to time (whether before or after the date of this Agreement) and include any subordinate legislation made under the relevant statute or statutory provision.

1.12 References to any English legal term for any action, remedy, method of financial proceedings, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include what most nearly approximates in that jurisdiction to the English legal term.

1.13 The expressions “ordinary course of business” or “business in the ordinary course” mean the ordinary and usual course of business of the Issuer, consistent in all material respects (including nature and scope) with the prior practice of the Issuer and includes, for the avoidance of doubt, any actions taken or required to be taken by the Issuer in accordance with this Agreement or any other Related Agreement or as described in the Circular.

1.14 In this Agreement references to “US$” or “US Dollars” are references to the lawful currency for the time being of United States of America; references to “RUB” or “Roubles” are references to the lawful currency for the time being of the Russian Federation; and references to “£” or “pounds” are references to the lawful currency for the time being of the United Kingdom.

1.15 In this Agreement references to any time of day are to the time in London, England.

1.16 In the event of any discrepancy between the English and Russian translations of this Agreement, the English version shall prevail.

2. **CONDITIONS PRECEDENT**

2.1 The provisions of Clauses 4, 5 and 6 of this Agreement are conditional on the following having occurred on or before 2 p.m. (or such other time as the Parties may agree in writing) on the Conditions Precedent Date:

(A) the Irrevocable Undertaking having been executed by all Parties thereto such that it shall become unconditional in all respects automatically before or upon *signing* of this Agreement (the **“Irrevocable Undertaking Condition Precedent”);**

(B) the Issuer, Lipoxen Technologies Ltd and the Subscriber having executed the Co-Development Agreement such that it shall become unconditional in all respects automatically on Completion of this Agreement (the **"Co-Development Agreement Condition Precedent");**

(C) completion of the purchase by the Issuer of the entire issued share capital of SymbioTec in accordance with the agreement with the vendors executed on or around the date hereof (the **"Purchase Agreement")** (the **"Transfer Condition Precedent");**

(D) the passing at a general meeting of the Issuer of all the resolutions set out in the GM Notice (the **"Enabling Resolutions")** (the **"Resolutions Condition Precedent");** and

(E) Admission of the Subscription Shares to trading on AIM (the **"Admission Condition Precedent");** and

(F) the Issuer and the Subscriber having executed the Escrow Deed.

2.2 The Issuer shall use reasonable endeavours to procure the satisfaction of Admission Condition Precedent as soon as practicable and in any event not later than the latest time on the Conditions Precedent Date.

2.3 The Issuer shall use reasonable endeavours to procure that irrevocable undertakings to vote in favour of the resolutions required to effect the transactions contemplated by this Agreement are entered inter alia into by: (i) Baxter Healthcare SA, a company incorporated under Swiss law, having its registered address at Hertistr.28304 Wallisellen, Switzerland; (ii) Serum Institute of India Limited, a company incorporated under Indian law, registered: at S. No. 212/2, Off Soli Poonawalla Road, Hadapsar, Pune – 411 028, Maharashtra, India; and (iii) FDS Pharma with the Issuer such that they shall become unconditional in all respects before or upon completion of this Agreement.

2.4 Each Party shall keep the other fully informed of all progress and developments with regard to satisfaction of the Conditions Precedent for which it is responsible, and in any event shall notify the other Party in writing as soon as practicable after it becomes aware that the same or any of the Conditions Precedent have been satisfied or have become incapable of satisfaction and produce to the other Party such documentation as reasonably required to evidence such satisfaction or incapability of satisfaction.

2.5 Without limiting the foregoing, the Issuer undertakes in relation to the Resolutions Condition Precedent that:

(A) within two (2) Business Days of the date of this Agreement, subject to confirmation from the Panel on Takeovers and Mergers that it requires no further changes to the drafting of the Circular, it will procure the despatch to its shareholders of a circular substantially in the form of the Circular convening a general meeting of the Issuer (for the purposes, *inter alia,* of considering and, if applicable, passing the Enabling Resolutions) (the "GM") not later than 22 August 2011 unless otherwise agreed by the Parties in writing;

(B) at the GM it will procure that the Enabling Resolutions shall be put to the meeting and, unless the same shall be passed on a show of hands, that a poll is demanded and given effect in respect thereof;

(C) that if the GM is adjourned, the date of any adjourned meeting shall be if practicable, subject to the following provision that it is held in sufficient time to enable satisfaction of the Conditions Precedent on or before the latest time provided in Clause 2.1 PROVIDED THAT no member of the Issuer's Group nor any of the directors thereof shall be required to act in breach of their fiduciary duties to any member of the Issuer's Group and/or its shareholders and/or creditors;

(D) it will not despatch any circular to its shareholders for the purposes of the foregoing without first providing the Subscriber with a reasonable opportunity to review and comment on the same, and it will give due consideration to all reasonable requirements of the Subscriber in relation to the contents thereof insofar as they relate to the matters contemplated by this Agreement or are matters for which the Subscriber or the directors of the Issuer must accept responsibility in accordance with the requirements of the London Stock Exchange, the Companies Act and any other applicable legislation including the City Code; and

(E) it will, on the day on which the Enabling Resolutions shall be passed (if applicable), provide the Subscriber's Solicitors with a print thereof, duly certified by the company secretary or any director of the Issuer as having been duly passed.

2.6 The Resolutions Condition Precedent and the Admission Condition Precedent may only be waived if the Issuer and the Subscriber so agree in writing. The Irrevocable Undertaking Condition Precedent and the Co-Development Agreement Condition Precedent may only be waived if the Subscriber agrees in Co-writing Development Agreement.

2.7 If by the latest time on the Conditions Precedent Date prescribed in Clause 2.1 the Conditions Precedent have not been satisfied or, in accordance with Clause 2.6, waived by the applicable Parties, then either Party may serve written notice on the other Party terminating this Agreement, provided that the Issuer may only serve notice to terminate this Agreement where it is not in breach of its obligations under Clause 2.2 and/or Clause 2.3 of this Agreement.

2.8 In the event that either the Issuer or the Subscriber shall serve notice terminating this Agreement in accordance with Clause 2.7, then except for this Clause 2.8, Clause 1, Clause 9, Clause 12, Clause 13, Clause 14 and Clause 16, all of the provisions of this Agreement shall lapse and cease to have effect. This shall not affect any accrued rights or liabilities of either the Issuer or the Subscriber in respect of damages for non performance or other breach of any obligation under this Agreement falling due for performance prior to such lapse and/or cessation.

3. **INTERIM PERIOD**

During the Interim Period the Issuer undertakes to conduct its businesses and to procure that Lipoxen Technologies Ltd conducts its business in the ordinary course.

4. SUBSCRIPTION

4.1 Subject to Clause 2, and to receipt of consideration for the Subscription Shares in cleared funds by the Issuer from the Subscriber, the Issuer hereby agrees to issue and allot and the Subscriber hereby agrees to subscribe for the Subscription Shares.

4.2 The Subscription Shares shall be credited as fully paid up at Completion.

4.3 Any allotment of Subscription Shares shall be conditional on the same being Admitted. If such condition shall not be capable of satisfaction because of the failure of the London Stock Exchange to agree to Admission of such Subscription Shares at a date which is practicable prior to the due date for such allotment, then Completion and such allotment shall be postponed to the first Business Day after the first practicable date for the holding of a meeting of the London Stock Exchange at which it agrees to the Admission of such Subscription Shares.

4.4 The Subscription Shares will not rank for any dividends or other distributions declared, paid or made on the ordinary share capital of the Issuer by reference to a record date prior to the Completion Date but, subject thereto, will rank *pari passu* in all other respects with the ordinary share capital of the Issuer then in issue.

4.5 The Issuer shall not consolidate or sub-divide its ordinary share capital or make any issue by way of capitalisation or rights to holders of its Ordinary Shares prior to the date of the allotment of any Subscription Shares or the lapse or termination of this Agreement.

4.6 Nothing in this Agreement shall oblige the Issuer to issue and allot, or the Subscriber to subscribe, any of the Subscription Shares or otherwise complete this Agreement unless the subscription of all of the Subscription Shares by the Subscriber is completed simultaneously.

5. CONSIDERATION

The consideration for the Subscription Shares shall comprise the Subscription Price in relation to each Subscription Share.

6. SIGNING, PRE-COMPLETION AND COMPLETION

6.1 On or prior to the execution of this Agreement, a meeting of the board of directors of the Issuer will have been held, at which the board, *inter alia:*

(A) approved the entry into this Agreement, the Co-Development Agreement, the Irrevocable Undertaking, the Relationship Deed, the Purchase Agreement, the Escrow Deed and the Announcement;

(B) approved the Circular and resolved to call a GM to consider and, if thought fit, pass the Enabling Resolutions; and

(C) conditionally only upon Completion:

(1) allotted and resolved to issue the Subscription Shares to the Subscriber in accordance with Clause 4: and

(2) resolved to register the Subscription Shares in the name of the Subscriber.

6.2 Immediately following the execution of this Agreement (and in any event within five (5) Business Days of execution):

(A) the Subscriber will deliver to the Issuer three (3) originals of the Co-Development Agreement, each duly executed by the Subscriber;

(B) the Issuer will deliver to the Subscriber:

(1) three (3) originals of the Co-Development Agreement each duly executed by the Issuer and Lipoxen Technologies Ltd; and

(2) a certified copy of Irrevocable Undertaking duly executed by the Issuer's Majority Shareholders.

6.3 Subject to Clause 2, unless otherwise agreed by the Parties, Pre-Completion shall take place at the offices of the Issuer's *Solicitors* on or before 2.00 p.m. on the Pre-Completion Date and Completion shall take place as provided in Clause 6.9.

6.4 [***]

(A) the Subscriber shall deliver to the Issuer:

(1) two (2) originals of the Relationship Deed each duly executed by the Subscriber;

(2) two (2) originals of the Escrow Deed duly executed by the Subscriber;

(3) an application for the Subscription Shares in the form set out in Schedule 3;

(4) a certified copy of the resolution of the relevant decision-making body of the Subscriber approving, to the extent required by Applicable Law:

(a) completion of the subscription of the Subscription Shares; and

(b) the entry into the Related Agreements to which the Subscriber is a Party; and

(B) the Issuer shall:

(1) deliver to the Subscriber's Solicitors a certified copy of the Enabling Resolutions passed at the GM;

(2) submit to the London Stock Exchange a completed application in accordance with Rule 29 of the AIM Rules; and

(3) deliver to the Subscriber's Solicitors two (2) originals of the Escrow Deed executed by the Issuer.

6.5 Once Pre-Completion has taken place in accordance with the terms set out in Clauses 6.3 and 6.4, Completion hereof shall be conditional only upon Admission occurring before I 0.00 a.m. on the third Business Day following the Pre-Completion Date taking into account the requirements of Rule 29 of the AIM Rules or such other date as may be agreed by the Pmties.

6.6 With effect from Completion the Subscriber shall have the right to appoint two (2) non-executive directors to the board of the Issuer in accordance with the terms

of the Relationship Deed. For the avoidance of doubt, such directors shall not be entitled to any remuneration in respect of their role.

6.7 Within three (3) Business Days of Admission, the Issuer shall deliver to the Subscriber's Solicitors a certificate in respect of the Subscription Shares.

6.8 Any documents delivered under Clause 6.4 in anticipation of Completion shall (if not already dated) be delivered undated and shall remain the absolute property of and shall be held strictly to the order of the delivering or paying Party until Completion shall take place as provided in Clause 6.5, and shall be held by the recipient in accordance with the terms of this Clause 6.8 and Clause 6.10.

6.9 Completion shall take place automatically upon Admission. All deeds, agreements and documents delivered under Clause 6.4 shall thereupon be deemed to have come into effect and shall become the absolute property of the Parties entitled thereto (being the Parties to whose solicitors or agents the relevant deeds agreements documents were delivered) and shall all be dated with the date of the Completion Date, and shall become unconditional in all respects save in respect of conditions in this Agreement.

6.10 If Admission shall not become effective by the latest time mentioned in Clause 6.5 and the Parties do not before that He time agree to extend the latest time for Completion (in which event the provisions of Clauses 6.7 to 6.11 (inclusive) shall apply to Completion as so deferred), this Agreement (save for this Clause 6.10 and Clause 6.11) and any allotments, agreements or documents effected or executed pursuant hereto, shall as between the Parties be deemed to be of no effect (save in the case of this Agreement as

regards any antecedent breach of any obligations hereunder and in respect of this Clause 6.10 and Clause 1, Clause 9, Clause 12, Clause 13, Clause 14 and Clause 16 which shall continue in full force and effect) and the Parties shall redeliver or procure the redelivery to relevant Parties all documents, agreements, papers and other items delivered by such other Patties pursuant hereto or in anticipation of Completion hereof.

6.11 The Parties shall procure that their respective solicitors or other agents shall duly retain and deal with all deeds, documents and agreements delivered to them in accordance with the provisions of this Clause 6.

6.12 If on the Completion Date either Party shall fail to comply in any material respect with its obligations under this Clause 6 (the **"Defaulting Party"),** the other Party (the **"Non-Defaulting Party")** may (provided that such Non-Defaulting Party is in compliance with its obligations under this Clause 6) by notice in writing to the Defaulting Party (i) defer Completion to a day not more than twenty eight (28) days following the Completion Date (and the provisions of this Clause shall apply to Completion as so deferred; or (ii) proceed to Completion so far as practicable but without prejudice to the rights of the Non-Defaulting Party hereunder or otherwise.

7. WARRANTIES

7.1 The Subscriber hereby warrants to the Issuer (for the benefit of the Issuer and its successors in title) in the terms of the Subscriber's Warranties (set out in Schedule 1).

7.2 The Issuer hereby warrants to the Subscriber (for the benefit of the Subscriber and its successors in title) in terms of the Issuer's Warranties (set out in Schedule 2).

7.3 The Warranties shall be deemed repeated immediately before Completion with reference to the then existing facts and circumstances.

7.4 Each of the Warranties is given independently from and shall not be limited by reference to any other warranty contained therein or anything else in this Agreement or any other agreement or document referred to herein.

7.5 Save as necessary to give effect to the express terms of this Agreement the Issuer shall not do, allow or procure before Completion anything which is or might cause, constitute or result in a breach of any of the Issuer's Warranties as repeated immediately prior to Completion.

7.6 The Issuer shall without delay disclose to the Subscriber in writing any matter or thing which may arise or become known to it after the date thereof (whether or not prior to Completion) which is or could be a breach of, inconsistent with or may render inaccurate or misleading any of the Issuer's Warranties as given on exchange hereof and/or immediately prior to Completion provided that where the Issuer is obliged to make an announcement

in respect of such matters under Rule 9, Rule 10 or Rule 11 of the AIM Rules, the Issuer shall upon or immediately after making such announcement disclose such matter to the Subscriber in accordance with this sub-Clause.

8. LIMITATIONS ON LIABILITY

[***]

8.2 No claim for breach of the Issuer's Warranties shall be made by the Subscriber:

(A) [***]

[***]

8.3 No claim for breach of the Issuer's Warranties shall be made unless the claim has been notified in writing to the Issuer on or before the first anniversary of Completion.

8.4 The Issuer shall have no liability whatsoever in respect of a claim for breach of the Issuer's Warranties to the extent that the fact, matter or circumstance giving rise to the claim:

(A) is a matter of public record or available within the public domain;

(B) is published information relating to the Issuer available to the Subscriber;

(C) is disclosed in the audited annual accounts of the Issuer;

(D) is disclosed in any announcement of the Issuer; or

(E) was actually known by the Subscriber as at the date of this Agreement:

8.5 If the Subscriber becomes aware of any claim, decision, action or demand against it by a third party which appears likely to give rise to a claim for breach of the Issuer's Warranties (a **"Third Party Claim")** the following provisions shall apply;

(A) the Subscriber shall as soon as is reasonably practical give written notice of the Third Party Claim to the Issuer;

(B) the Subscriber shall not make any admission of liability, agreement, settlement or compromise to or with any person in relation to the Third Party Claim without the prior written agreement of the Issuer; and

(C) the Subscriber shall take such action as the Issuer may reasonably request to avoid, dispute, resist, mitigate, settle, compromise, defend or appeal the Third Party Claim,

and provided that: (i) no Third Party Claim shall be settled or compromised by the Subscriber without the consent of the Issuer; (ii) the Subscriber shall not be required to take any action under this provision unless it is indemnified to its satisfaction by the Issuer in relation to reasonable costs that it may incur in so doing; and (iii) there is no material reputational damage or material risk to its reputation in taking or avoiding to take any action in connection with such Third Party Claim.

8.6 Any disclosures made by the Issuer are to be taken as relating to each of the Issuer's Warranties in this Agreement generally.

8.7 Except in the case of a fraudulent misrepresentation, no Party shall in relation to the issue of the Subscription Shares under this Agreement be liable in respect of any representations or warranties or similar assurances which are not contained and expressly given or assumed by them in this Agreement or any agreement or document entered into pursuant hereto or referred to herein.

9. ENFORCEABILITY AND SEVERABILITY

Each of the agreements, undertakings, covenants, warranties and other obligations of the Parties entered into pursuant hereto (including without limitation under Clause 8) is considered reasonable by the Parties but in the event that any provision or part thereof shall be held void, unenforceable or in conflict with the law of any state or jurisdiction, it shall be severed from this other document in which it is contained, or otherwise modified to become

valid and enforceable insofar as it relates to that state or jurisdiction only. The enforceability and validity of any other parts or provisions of this Agreement and such document shall not be affected by such severance or modification.

10. FURTHER ASSURANCE AND LOCK IN

10.1 The Issuer hereby agrees for no additional consideration or payment to carry out, execute and deliver any such further acts documents and things as the Subscriber may reasonably require to vest in the Subscriber the legal and beneficial ownership of the Subscription Shares free from all charges, liens or other adverse interests and to vest the benefit of this Agreement in the Subscriber.

10.2 The Subscriber hereby undertakes with the Issuer in respect of:

(A) the Subscription Shares allotted and issued to it pursuant to this Agreement;

(B) the FDS Pharma Shares;

(C) any other Ordinary Shares which may be acquired by the Subscriber during the twenty four (24) months from the date of Completion; and

(D) all other Ordinary Shares into which the shares referred to in Clause 10.2(A), Clause 10.2(B) or Clause 10.2(C) above are sub-divided or converted, or issued by way of bonus issue or otherwise derived from the same (whether by way of consolidation, sub-division, capitalisation, rights issue or otherwise),

[***]

[***]

The provisions of this Clause 10.2 shall not apply in respect of:

(i) the acceptance of any general offer made to all holders of Ordinary Shares made in accordance with applicable takeover regulations (if any) or equivalent provisions contained in the articles of association of the Issuer on terms which treat all such holders alike (a **"General Offer");**

(ii) the execution and delivery of an irrevocable commitment or undertaking to accept a General Offer;

(iii) the implementation of any scheme of arrangement of the Issuer to give effect to a General Offer; or

(iv) any disposal to any Group Company as part of an internal reorganisation of the Group.

11. SURVIVAL OF AGREEMENT

This Agreement (and in particular the warranties, covenants, agreements and undertakings of the Subscriber hereunder) shall insofar as the terms thereof remain to be performed or are capable of subsisting remain in full force and effect after and notwithstanding Completion.

12. COSTS

Save as expressly otherwise provided herein, each Party shall pay its own costs

and expenses in connection with the preparation and execution of this Agreement.

13. ANNOUNCEMENTS

Save in respect of statutory returns or matters required to be disclosed by law or regulation or to the London Stock Exchange or to the Panel on Takeovers and Mergers or to other governmental or regulatory authorities, none of the Parties shall make any press statement or other public announcement in connection with this Agreement without the prior written approval of the text of such statement or announcement, in the case of the Subscriber by the Issuer or, in the case of the Issuer, by the Subscriber's Solicitors. Where any statement or announcement is required to be made by law or regulation, the Party required to make such announcement shall, where lawful and reasonably practicable to do so, consult with the other Party and take into account its reasonable comments in connection with the substance of the announcement.

14. NOTICES

14.1 Any notice or other communication to be given under or in connection with this Agreement (a "Notice") shall be in the English language in writing and signed by or on behalf of the Party giving it. A Notice may be delivered personally or sent by reputable international courier to the address provided in Clause 4.3 (with a copy to the fax number), and marked for the attention of the person specified in that Clause.

14.2 A Notice shall be deemed to have been received:

(A) at the time of delivery if delivered personally; or

(B) five (5) Business Days after the time and date of despatch if sent by reputable international courier,

provided that if deemed receipt of any Notice occurs after 6.00 p.m. or is not on a Business Day, deemed receipt of the Notice shall be 9.00 a.m. on the next Business Day. References to time in this Clause 14.2 are to local time in the country of the addressee.

14.3 The addresses and fax numbers for service of Notice are:

Issuer:

Name:	Lipoxen Plc
Address:	18 Pall Mall, 2nd Floor, London SWIY 5LU
For the attention of:	Scott Maguire, Chief Executive Officer
[***]	[***]

Subscriber:

Name:	Limited Liability Company “SynBio”
Address:	119333, Russian Federation, Moscow, Leninsky Avenue, 55/1, bldg. 2
For the attention of:	P.V. Kruglyakov
[***]	[***]

14.4 A Party shall notify the other Party of any change to its details in Clause 14.3 in accordance with the provisions of this Clause 14, provided that such notification shall only be effective on the later of (i) the date specified in the notification; and (ii) five (5) Business Days after deemed receipt.

15. ENTIRE AGREEMENT

15.l This Agreement, together with the Related Documents and any other documents referred to in this Agreement or any Related Document, constitutes the whole agreement between the Parties and supersedes any previous arrangements or agreements between them relating to the subscription of the Subscription Shares and, for the avoidance of any doubt, supersedes and extinguishes the heads of terms entered into between the Issuer and the Subscriber which shall cease to have any further force or effect.

15.2 Each Party confirms that it has not entered into this Agreement or any other Related Document on the basis of any representation, warranty, undertaking or other statement whatsoever which is not expressly incorporated into this Agreement or the relevant Related Document.

16. GOVERNING LAW AND ARBITRATION

16.1 This Agreement including any non-contractual obligations arising out of or in connection with this Agreement shall be governed by and construed in accordance with English Law.

16.2 Any dispute, controversy or claim arising out of, or in connection with, this Agreement, including a dispute as to the validity or existence of this Agreement and/or this Clause 16.2, shall be finally resolved by arbitration in London conducted in English under the Rules of Arbitration of the ICC by three (3) arbitrators. Each Party shall nominate one (1) arbitrator and, the third arbitrator, who will act as chairman, shall be nominated by the two (2) Party-nominated arbitrators.

16.3 A Party may apply to the English courts (but not, for the avoidance of doubt, any other courts) for interim relief and/or conservatory measures (an **"Interim Relief Application")** and any such Interim Relief Application shall not be deemed to be incompatible with, or a waiver of, the arbitration agreement.

16.4 For the purposes of Clause 163, each of the Parties irrevocably submits to the exclusive jurisdiction of the courts of England.

16.5 Where disputes arise out of or in connection with this Agreement or any Related Agreement which, in the reasonable opinion of the first panel of arbitrators *to* be appointed in any of the disputes (the **"First Panel"),** are so closely connected that it is fair and expedient for them to be resolved in the same proceedings, the First Panel may, upon application by any Party, order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have yet been instituted). If the First Panel so orders, the Parties to each dispute which is a subject of their order shall be treated as having consented to that dispute being finally decided:

(A) by the First Panel unless the ICC Court decides that such panel would not be suitable; and

(B) in accordance with the procedure specified in the contract pursuant to which the First Panel was appointed, unless otherwise agreed by all Parties to the consolidated proceedings or ordered by the First Panel,

and each Party hereby waives any right to object to the constitution of the First Panel upon such consolidation on the grounds that it was not entitled to nominate an arbitrator.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

17.1 The Parties agree and acknowledge that:

(A) nothing in this Agreement is intended to benefit any person who is not a Party to it (a**"Non-Party")** and accordingly no Non-Party has any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement; and

(B) the consent of any Non-Party shall not be required for any amendment to or termination of this Agreement.

17.2 The provisions of Clause 17.2 do not affect any right or remedy of a third party which exists or is available otherwise than by operation of the Contracts (Rights of Third Parties) Act 1999.

18. COUNTERPART

This Agreement may be executed in counterparts and shall be effective when each Party has executed a counterpart. Each counterpart shall constitute an original of this Agreement.

IN WITNESS WHEREOF this Agreement has been executed in London, the United Kingdom as a deed of each of the Parties on the day and year first before written

SCHEDULE *1*

(Subscriber's Warranties)

I. AUTHORITY, CAPACITY AND ENFORCEABILITY

1.1 **Incorporation.** The Subscriber is duly incorporated, organised and validly existing under the laws of the Russian Federation.

1.2 **Power and authority.** The Subscriber has the legal right, full power and authority and legal capacity to execute and deliver, and to exercise its rights and to perform its obligations under, this Agreement and all other documents which are executed by it as envisaged by this Agreement.

1.3 **Legal validity.** This Agreement and any other documents or Related Agreements to be executed by the Subscriber in connection with this Agreement constitute and will, when executed , constitute valid and binding agreements in relation to the Subscriber enforceable against it in accordance with their respective terms. This Agreement and the transactions contemplated herein are in compliance with Applicable Law.

1.4 **Approvals.** The Subscriber has obtained or satisfied all relevant corporate, regulatory and other approvals, or any other conditions, necessary to execute, deliver and perform its obligations under this Agreement and all other documents which are executed by it as envisaged by this Agreement.

1.5 **No conflict.** The execution, delivery and performance of this Agreement and any other documents to be executed by the Subscriber have been

duly and validly authorised and will not conflict with or constitute a breach of any law, regulation, agreement or comt order applicable to the Subscriber and in force at the date this Agreement is signed in a way that would adversely affect the Subscriber's ability to perform its obligations under this Agreement or such document *in* any material respect.

1.6 **FSMA.** The Subscriber is a person who falls within Articles 19 or 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and the Subscriber is purchasing the Subscription Shares for investment only and not for resale or distribution.

1.7 **Securities Restrictions.** The Subscriber is not resident in the United States, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia or in any other territory in which it is unlawful to subscribe for the Subscription Shares and it will not offer, sell or deliver directly or indirectly any of the Subscription Shares in the United Shares, Canada, Japan, the Republic of Ireland, the Republic of South Africa *or* Australia or to or for the benefit of any persons who are resident or to any person purchasing such shares for re-offer or sale of transfer in such jurisdictions.

2. **INSOLVENCY**

2.1 **Order or resolution.** No order has been made, petition presented, resolution passed or meeting convened for the winding-up (or other process whereby the business is terminated and the assets of the company concerned are distributed amongst the creditors and/or shareholders or other contributories) of the Subscriber and so far as the Subscriber is aware there are no cases or proceedings under any applicable insolvency, reorganisation, or similar laws in any applicable jurisdiction concerning the Subscriber.

2.2 **Proceedings.** No petition has been presented or other proceedings commenced for an administration order to be made (or any other order to be made by which during the period it is in force, the affairs, business and assets of the company concerned are managed by a person appointed for the purpose by a court, governmental agency or similar body) in relation to the Subscriber, nor has any such order been made.

2.3 **Administrator.** So far as the Subscriber is aware, no receiver (including an administrative receiver), liquidator, trustee, administrator, custodian or similar official has been appointed in any applicable jurisdiction in respect of the whole or any part of business or assets of the Subscriber.

2.4 **Insolvent.** The Subscriber is not insolvent or unable to pay, or capable of being deemed unable to pay in accordance with any Applicable Law, its debts as they fall due.

SCHEDULE 2

(Issuer's Warranties)

1. AUTHORITY, CAPACITY AND ENFORCEABILITY

1.1 Incorporation. The Issuer is duly incorporated, organised and validly existing under the laws of England and Wales.

1.2 Power and authority. The Issuer has the legal right and power, authority and legal, a capacity to execute and deliver, and to exercise its rights and to perform its obligations under, this Agreement, the Related Agreements and all other documents which are executed by it as envisaged by this Agreement and/or the Related Agreements, and the directors will have, subject to satisfaction of the Resolutions Precedent, sufficient authority under Section 551 of the Companies Act to issue and allot the Subscription Shares.

1.3 Legal validity. This Agreement, the Related Agreements and any other documents to be executed by the Issuer in connection with this Agreement and the Related Agreements constitute and will, when executed, constitute valid and binding agreements in relation to the Issuer in accordance with their respective terms. This Agreement, the Related Agreements and the transactions contemplated herein are in compliance with Applicable Law.

1.4 Approvals. The Issuer has obtained or will obtain upon satisfaction of the Resolutions Condition Precedent or satisfied all corporate, regulatory and other approvals, or any other conditions, necessary to execute, deliver and perform its obligations under this Agreement, the Related Agreements and all other documents which are executed by it as envisaged by this Agreement.

1.5 No **conflict.** The execution, delivery and performance of this Agreement and the Related Agreements by the Issuer has been duly and validly authorised and will not conflict with or constitute a breach of any law, regulation, agreement or court order applicable to the Issuer and in force at the date of this Agreement is signed in a way that would adversely affect the Issuer's ability to perform its obligations under this Agreement and the Related Agreements in any material respect.

2. **ISSUER'S GROUP**

2.1 The Issuer is a public company limited by shares.

2.2 As at the date of this Agreement, the Issuer's entire issued share capital comprises 177,432,255 Ordinary Shares, before the issue of the Subscription Shares.

2.3 At the date of this Agreement and at Completion:

(A) the Subscription Shares will on issue be credited as fully paid (subject to receipt of payment thereon) free from any and all pre-emptive rights, options, rights to acquire, mortgages, charges, pledges, liens or other form of security or encumbrance or equity on, over or affecting them and will have the same rights as, and rank *pari passu* in *all* respects with, the existing Ordinary Shares of the Issuer and will rank in full for all dividends and other distributions declared, made or paid on the Subscription Shares after the date of issue;

(B) the issue of the Subscription Shares will comply with all agreements to which the Issuer is a party or by which it or any of its properties or assets is bound and will not infringe any restrictions or the terms of any contract, obligation or commitment of the Issuer;

(C) at Completion the Issuer and its directors will have power to allot and issue the Subscription Shares in the manner contemplated by this Agreement without any sanction or consent by members of the Issuer or any class of them and there will be no consents or approvals required by the Issuer for the allotment and issue of the Subscription Shares which have not been irrevocably and unconditionally obtained;

(D) the allotment of the Subscription Shares will comply with the Companies Act, the Financial Services and Markets Act 2000 (as amended) and the AIM Rules, the City Code and all other relevant laws and regulations of the United Kingdom;

2.4 The issued shares in Lipoxen Technologies Ltd have been issued in proper legal form and are fully paid or credited as fully paid.

2.5 The issued shares in Lipoxen Technologies Ltd are legally and beneficially owned by the Issuer free from all Encumbrances.

3. **COMPLIANCE WITH LAWS**

3.1 The Issuer has complied in all material respects with all material applicable laws and provisions, in particular, the provisions of the Companies Act and all returns, particulars, resolutions and other documents required under any legislation to be delivered on behalf of the Issuer to the Registrar of Companies or to any other authority whatsoever have been properly made and delivered within the requisite time limits.

3.2 The Issuer has complied in all material respects with the provisions of the AIM Rules.

3.3 Neither the Issuer nor any person for whom it is vicariously responsible has committed

any material breach of or failed materially to perform or observe any provision of its Memorandum or Articles of Association or of any legislation in any part of the world or any covenant or agreement or the terms or conditions of any consent or licence or any judgment or order of a Court or other competent tribunal or authority by which the Issuer is bound or to which it is a party or which affects any of its assets.

4. **RNS ANNOUNCEMENTS**

The Issuer has made all announcements required by and in accordance with all applicable laws, including the AIM Rules. Each such announcement and all statements contained therein (other than expressions of opinion, intention or expectation of the directors of the Issuer) were true and accurate in all material respects, not misleading in any material respect and all expressions of opinion, intention or expectation of the directors of the Issuer contained therein were made on reasonable grounds and were truly and honestly held by the directors of the Issuer and were fairly based.

5. **INSOLVENCY**

5.1 No order has been made or resolution passed for the winding up of the Issuer and no provisional liquidator has been appointed. No petition has been presented or meeting convened for the purposes of winding up the Issuer and no voluntary arrangement has been proposed. The Issuer has not become subject to any analogous proceedings or arrangements under the laws of any applicable jurisdiction.

5.2 No administrator, administrative receiver or any other receiver or manager has been appointed by any person in respect of the Issuer or all or any of its assets and no steps have been taken to initiate any such appointment. No analogous appointments have been made or, so far as the Issuer is aware, been initiated under the laws of any applicable jurisdiction.

5.3 The Issuer has not received any notice relating to, nor is it or could it be deemed unable to pay its debts for the purpose of section 123 of the Insolvency Act 1986.

6. **NO MATERIAL CHANGE**

6.1 Since. the Accounting Date and save as further described in the Circular or in any RNS announcement of the Issuer:

(A) the business of the Issuer and Lipoxen Technologies Ltd has been carried on in the ordinary course and so as to maintain it as a going concern and there has been no material adverse change in the financial position or trading or prospects of the Issuer;

(B) the Issuer has not made or agreed to make any payment or entered into any transaction or commitment or incurred any liability except in the ordinary course of its trading and for full value;

(C) the Issuer has not acquired or disposed of or agreed to acquire or dispose of any business or any material asset other than trading stock in the ordinary course of business; and

(D) no distribution of capital or income has been declared or paid in respect of any share capital or assets of the Issuer.

6.2 Since the Accounting Date the business of the Issuer or Lipoxen Technologies Ltd has *not* been materially or adversely affected by the loss of any important customer(s) or source(s) of supply or any abnormal factor(s) not affecting similar businesses to a similar extent, and the Issuer is not aware of any facts likely to give rise to any such effect whether before or after Completion.

7. **INTELLECTUAL PROPERTY**

7.1 The Issuer (together with Lipoxen Technologies Ltd) owns all Group IP Rights.

[***]

(A) there has been no act or omission by any Group member or any person acting on its behalf which will, or could reasonably be expected to, give rise to any material Group IP Rights being or becoming invalid or unenforceable;

(B) there has not occurred any act, omission or event which would entitle any regulatory authority or other person to cancel, forfeit or modify any material Group IP Rights;

(C) no person has made any claim adverse to the Group's continuing enjoyment of any material Group IP Rights;

(D) there is, and has been, no actual or threatened infringement (including misuse of confidential information), or any event likely to constitute infringement, by any third party of any material Group IP Rights;

(E) each agreement under which any Group member is authorised to use or exploit any material Group IP Rights is in full force and effect;

(F) no event has occurred or is about to occur which would or could entitle any third party to terminate any such agreement prematurely; and

(G) the carrying on of the Group's current and proposed activities as described has not, and will not, result in any material claim by any third party that any Group member or any licensee of any Group member has infringed or will infringe any patent or other intellectual property right.

7.4 No Group member has granted, nor is obliged to grant, any licence under or in relation to any material Group IP Rights to any person.

8. **PATENTS**

8.1 Each material Patent is a valid and subsisting granted patent and is not the subject of any material claim or proceedings which could result *in* it being invalidated, revoked or restricted in scope. The Issuer is not actually aware of any reason why any such claim or proceedings may be brought in the future.

8.2 The Issuer is not actually aware of any reason why any material Patent that is an application will fail to result in the grant of a patent with no material reduction in the scope applied for in any country.

SCHEDULE 3
(Form of Application for Subscription Shares)

To: The Directors
[Issuer]

From: [Subscriber]

[•] 2011

Dear Sirs,

Re: Subscription for Ordinary Shares in the Capital of [•] ("the Issuer")

We *write* with reference to the Subscription Agreement dated *[•]* 2011 between the Issuer and ourselves relating to ordinary shares of 0.5p in the capital of the Issuer (the "Subscription Agreement").

Terms set out in the Subscription Agreement shall have the same meaning in this Form of Application.

In accordance with Clause 6.4(A) of the Subscription Agreement, we hereby *subscribe* for *[•]* new Ordinary Shares of 0.5p each in the capital of the Issuer at the Subscription Price.

Yours faithfully,

For and on behalf of
[Subscriber]

EXECUTED and DELIVERED as a Deed)

by **LIPOXEN PLC**)

acting by:)

Director

Director/~~Secretary~~

EXECUTED and DELIVERED as a Deed)

by **SYNBIO LLC**)

acting by:)

General Director

[Affix Corporate Seal of the Subscriber]

EXECUTED and DELIVERED as a Deed)

by LIPOXEN PLC)

acting by:)

Director

Director/Secretary

EXECUTED and DELIVERED as a Deed)

by SYNBIO LLC)

)

acting by: 

General Director

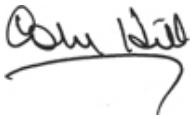
[Affix Corporate Seal of the Subscriber]

EXECUTED and DELIVERED as a Deed)

by **LIPOXEN PLC**

acting by:)

Director 

Director/~~Secretary~~ 

EXECUTED and DELIVERED as a Deed)

by **SYNBIO LLC**)

acting by:)
General Director 

[Affix Corporate Seal of the Subscriber]

Exhibit 10.20

Final Version (11 November 2009) *Private and Confidential*

DATED **[ ]**

(1) LIPOXEN TECHNOLOGIES LTD

- and -

(2) PHARMASYNTHEZ ZAO

COLLABORATION, LICENCE AND DEVELOPMENT AGREEMENT

THIS AGREEMENT is made the **[ ]** day of **[ ] 2009**

BETWEEN:

(1) **Lipoxen Technologies Ltd**, a Company registered under the laws of England whose registered office is at Suite 303 Hamilton House, Mabledon Place, London WCIH 9BB, England ("Lipoxen"); and

(2) **Pharmasynthez Zao**, a limited liability company incorporated under the laws of Russian Federation, registration number P-15450.16, having its Registered Office at s 188663, Leningradskaya oblast, Vsevologsky district, Capitolovo, Experimental Factory RNZ "Applied Chemistry" ("Pharms").

RECITALS:

(1) Lipoxen is a drug and vaccine delivery company and is dedicated to innovative methods for the optimal delivery of therapeutics in the treatment and prevention of disease.

(2) Lipoxen has two proprietary technologies, ImuXen and PolyXen, and has a number of drug candidates in development.

(3) ImuXen is an advanced enabling technology that uses liposome-based constructs to boost the effectiveness of DNA, protein and polysaccharide vaccines.

(4) PolyXen involves the use of polysialic acid conjugation as a means to improve the pharmacokinetics and pharmacodynamics of protein drugs.

(5) Pharms is engaged in the manufacture of pharmaceuticals and biotechnology products and has developed certain protein and vaccine drug candidates. Pharms owns or will exclusive rights to certain active compounds that may benefit from the application of Lipoxen's technology.

(6) Lipoxen and Pharms now wish to enter into a collaboration to develop certain products combining Lipoxen's technology and Pharms' technology which, if successful, will lead to clinical development of product candidates by Pharms in the Pharms Territory (defined below) and by the parties jointly in the Joint Territory (defined below), subject to and in accordance with the terms of this Agreement.

IT IS AGREED as follows:

Definitions

In this Agreement, the following words shall have the following meanings:

"Actives" means DNAse, Doxorubicin, Oxyntomodulin, MBP Epitope, HIV Antigen and H1;

"Affiliate"	in relation to a party, means any entity or person which controls, is controlled by, or is under common control with that party. For the purposes of this definition, "control" shall mean direct or indirect beneficial ownership of 50% (or, outside a party's home territory, such lesser percentage as is the maximum, permitted level of foreign investment) or more of the share capital, stock or other participating interest carrying the right to vote or to distribution of profits of that entity or person, as the case may be;
"Appointed CRO"	means any contract research organisation appointed by either of the parties to carry out the clinical trials in relation to the Products;
"Appointed CMO"	means the CMO appointed in accordance with clause 7.6 of this Agreement;
"Arising IPR"	means any and all Intellectual Property Rights arising from or in relation to the work carried out by or on behalf of Pharms and/or Lipoxen in relation to this Agreement, including any and all Intellectual Property Rights relating to the Results and any and all data and results arising from the Pharms Trials and the Clinical Trials;
"Clinical Trials"	means the clinical trials to be carried out by the parties in relation to the Products in the Joint Territory in Stage 3;
"Commencement Date"	means the date of this Agreement;
"Confidential Information"	means any and all data, results, know-how, show-how, software, algorithms, trade secrets, plans, forecasts, analyses, evaluations, research, technical information, business information, financial information, business plans, strategies, customer lists, marketing plans, or other information whether oral, in writing, in electronic form or in any other form, and any physical items, compounds, components or other materials disclosed before, on or after the date of this Agreement by one party (and/or its Affiliates) to the other party (and/or its Affiliates) including, but not limited to, the Lipoxen Know How and the Pharms Know How;
"Development Programme"	means the detailed programme for the collaboration for each Product set out in Schedule 1 of this Agreement as modified from time to time by the Programme Committee in accordance with clause 7.9.2 and otherwise in accordance with the terms of this Agreement;

"DNAse"	means deoxyribonuclease-1 protein as further described in Part 1 of Schedule 2 of this Agreement;
"Doxorubicin"	means doxorubicin as further described in Part 2 of Schedule 2 of this Agreement;
"EMEA"	means the European Medicines Agency (formerly known as the European Agency for the Evaluation of Medicinal Products) and/or any successor to it;
"FDA"	means the US Food and Drug Administration and/or any successor to it;
"GMP"	means current Good Manufacturing Practice as defined by regulations issued from time to time by regulatory authorities, including EMEA and FDA;
"H1"	means human recombinant histone H1.3 as further described in Part 6 of Schedule 2 of this Agreement;
"HIV Antigen"	means the HIV GP120 based recombinant fusion protein which is further described in Part 5 of Schedule 2 of this Agreement;
"ImuXen Know How"	means the any and all know how which is disclosed to Pharms pursuant to this Agreement that relates to the inventions disclosed in the ImuXen Patents;
"ImuXen Patents"	means the patents and patent applications set out in Schedule 3 of this Agreement, including any continuations, continuations in part, extensions, reissues, divisions, and any patents, supplementary protection certificates and similar rights that are based on or derive priority from the foregoing;
"ImuXen Products"	means Product D, Product E and Product F;
"ImuXen Technology"	means the advanced platform vaccine delivery technology that employs novel liposome constructs to boost the effectiveness of DNA, protein and polysaccharide vaccines that is described in detail in the ImuXen Patents;
"Intellectual Property Rights"	means inventions, patents, any extensions of the exclusivity granted in connection with patents, petty patents, utility models, applications for any of the foregoing (including, but not limited to, continuations, continuations-in-part and divisional applications), the right to apply for any of the foregoing, database rights, rights in data and know-how, trade secrets and confidential information and all other forms of intellectual property rights having equivalent or similar effect to any of the foregoing which may exist anywhere in the world;
"Joint Arising IPR"	means the Arising IPR which is owned jointly by Lipoxen and Pharms pursuant to clause 8.3;

"Joint Territory"	means the world, excluding the Pharms Territory;
"Joint Products"	means Products that are not Lipoxen Products;
"Know How Transfer Time"	means the time of two scientist each working for ten (10) working days;
"Licensee"	means a third party to which Lipoxen has granted a licence to exploit a Product in the Joint Territory;
"Liposomal HIV Antigen"	means liposomal vehicles containing HIV Antigen;
"Liposomal H1"	means liposomal vehicles containing H1;
"Liposomal MBP Epitopes"	means liposomal vehicles containing MBP Epitopes;
"Lipoxen Arising IPR"	means any and all Arising IPR which is owned by Lipoxen pursuant to clause 8.2 of this Agreement;
"Lipoxen Know How"	means the ImuXen Know How and the PolyXen Know How;
"Lipoxen Patents"	means the ImuXen Patents and PolyXen Patents;
"Lipoxen Products"	means any of the Products which fall within the scope of clause 5.3;
"Lipoxen Technology"	means the ImuXen Technology, the PolyXen Technology and the PSA IP;
"MBP Epitopes"	means the oligopeptides representing immunogenic epitopes of myelin basic protein which are described in Part 4 of Schedule 2 of this Agreement;
"Oxyntomodulin"	means human recombinant Oxyntomodulin as further described in Part 3 of Schedule 2 of this Agreement;
"Pharms Active Components"	means the aspects of the Products which are owned by or licensed to Pharms, as set out in Schedule 4 of this Agreement;
"Pharms Arising IPR"	means any and all Arising IPR which is owned by Pharms pursuant to clause 8.1 of this Agreement;
"Pharms Background IP"	means and any all Intellectual Property Rights owned by or licensed to Pharms that relate to the Products including (to the extent they do not form part of the Joint Arising IPR), but not limited to, any and all Intellectual Property Rights relating to: (1) (a) any methods or processes used by Pharms to manufacture the Products, the Actives and/or the Pharms Active Components; and (2) (b) the components of the Products, including the Actives, the Pharms Active Components;

"Pharms Know How"	means any and all know how which is disclosed to Lipoxen pursuant to this Agreement that relates to the Pharms Background IP;
	;
"Pharms Territory"	means Russian Federation;
"Pharms Trials"	means the clinical trials to be carried out by Pharms in the Pharms Territory in relation to the Products in Stage 2 as set out in Schedule 5;
"PolyXen Know How"	means the any and all know how which is disclosed to Pharms pursuant to this Agreement that relates to the inventions disclosed in the PolyXen Patents;
"PolyXen Patents"	means the patents and patent applications set out in Schedule 6 of this Agreement, including any continuations, continuations in part, extensions, reissues, divisions, and any patents, supplementary protection certificates and similar rights that are based on or derive priority from the foregoing;
"PolyXen Products"	means Product A, Product B and Product C;
"PolyXen Technology"	means the multifaceted platform technology that employs PSA to prolong the active life and improve the pharmacokinetics of therapeutic proteins and peptides, as well as conventional drugs, that is described in detail in the PolyXen Patents;
"Products"	means Product A, Product B, Product C, Product D, Product E and Product F;
"Product A"	means a pharmaceutical preparation for the prevention and/or treatment of cystic fibrosis in humans containing PSA DNAse;
"Product B"	means a pharmaceutical preparation for the prevention and/or treatment of acute myeloid leukemia and/or non-Hodgkin lymphoma in humans containing PSA Doxorubicin;
"Product C"	means a pharmaceutical preparation for the prevention and/or treatment of type 2 diabetes in humans containing PSA Oxyntomodulin;
"Product D"	means a Vaccine for the prevention and/or treatment of secondary progressive multiple sclerosis in humans which is comprised of Liposomal MBP Epitopes;

"Product E"	means a Vaccine for the prevention and/or treatment of HIV in humans which is comprised of Liposomal HIV Antigen;
"Product F"	means a Vaccine for the prevention and/or treatment of non-hodgkin lymphoma in humans which is comprised of Liposomal H1;
"Programme Committee"	means a committee formed and operating in accordance with clause 8 of this Agreement;
"PSA"	means any polymer containing two or more sialic acid residues, including the natural polymer polysialic acid, the chemical formula for which is set out in Schedule 7;
"PSA Doxorubicin"	means a conjugate of PSA and Doxorubicin forming a mono-PSA/multi-Doxorubicin conjugate;
"PSA DNAse"	means a conjugate of PSA and DNAse;
"PSA IP"	means any and all Intellectual Property Rights owned by or licensed to Lipoxen relating to the manufacture of PSA;
"PSA Oxyntomodulin"	means a conjugate of PSA and Oxyntomodulin;
"Quarter"	means the quarterly periods ending 31 March, 30 June, 30 September and 31 December;
"Results"	means the results of the Development Programme;
"Specifications"	means the specifications for the Products to be determined by the Programme Committee in accordance with clause 7.9.1 of this Agreement;
"Stage 1"	means stage 1 of the collaboration which will involve optimisation of the Products through application of the PolyXen Technology and the ImuXen Technology as further described in Part 1 of the Development Programme for each Product;
"Stage 2"	means stage 2 of the collaboration which will involve testing of the Products in the Pharms Trials in the Territory to achieve clinical proof of principal for the Products, as further described in Part 2 of the Development Programme for each Product;
"Stage 2 Expiry Date"	means in relation to a Product the date upon which the Pharms Trial relating to the relevant Product has been completed;

"Stage 3"	means full-scale pharmaceutical and clinical development of the Products under EMEA/FDA regulations, to be determined by the Programme Committee in accordance with clause 7.9.2 in relation to the Joint Products or by Lipoxen in relation to the Lipoxen Products;
"Stage 1 Costs"	means any and all costs and expenses incurred by Lipoxen and/or Pharms in relation to Stage 1;
"Stage 2 Costs"	means any and all costs and expenses incurred by Lipoxen and/or Pharms in relation to Stage 2;
"Stage 3 Costs"	means any and all costs and expenses properly and reasonably incurred by Lipoxen and/or Pharms in relation to Stage 3;
"Success Criteria"	means the criteria to be determined by the Programme Committee for each of the Products which the relevant Product must meet prior to entering Stage 2 and/or Stage 3, as described in clause 7.9.1 of this Agreement;
"Third Party IP Rights"	means Third Party IP Rights as defined in clause 8.12;
"Timetable"	means the timetable for the Development Programme set out in Schedule 1 of this Agreement;
"Vaccine"	means preparations of antigenic substances that are administered for the purpose of inducing in the recipient a specific and active immunity against the infective agent or toxin produced by it; and.
"Valid Claim"	means a claim of a patent or patent application that has not expired or been held invalid or unenforceable by a decision of a patent office or court of competent jurisdiction, which decision (a) it is not possible to appeal or, (b) is not the subject of an appeal within the prescribed time limits.

2. <u>Doxorubicin</u>

2.1 Subject to clause 2.1, the parties agree that Doxorubicin and Product B shall be excluded entirely from the scope of this Agreement until such time that Lipoxen notifies Pharms in writing that Lipoxen is free and able to grant rights to Pharms in relation to Doxorubicin and Product B.

2.2 Clause 8.3 of this Agreement shall be binding on Pharms from the Commencement Date in so far as it relates to Doxorubicin, Product B and/or Active Pharms Components relating to Doxorubicin and/or Product B.

2.3 On receipt of the notice referred to in clause 2.1 by Pharms, Doxorubicin and Product B shall automatically be deemed to fall under the scope of this Agreement without any further action by either of the parties.

3 Stage 1: Candidate Optimisation

3.1 Lipoxen and Pharms shall collaborate to fulfill the objectives of Stage 1.

3.2 Each party shall use its reasonable endeavours to fulfill the obligations allocated to it in Stage 1 in accordance with the Timetable.

3.3 The parties acknowledge that in Stage 1, Lipoxen's obligations are limited to a transfer of know how from Lipoxen to Pharms to enable Pharms to carry out its obligations under Stage 1. In order to fulfill the transfer of know how, unless Lipoxen agrees otherwise in writing, Lipoxen shall not be obliged to provide more than the Know How Transfer Time. The transfer of know how shall take place, unless the parties agree otherwise in writing, by telephone calls and/or at Lipoxen's premises in England.

3.4 Pharms shall promptly provide Lipoxen with any and all Actives reasonably required by Lipoxen to carry out its obligations under Stage 1.

3.5 Unless Pharms and Lipoxen agree otherwise, a Product shall not become part of Stage 2 unless it meets the Success Criteria. The Success Criteria, and whether a Product meets the Success Criteria, shall be determined by the Programme Committee in accordance with clause 7.9.1, together with a specification for each of the Products to enter Stage 2.

3.6 The parties agree that during Stage 1 Pharms shall prepare and submit applications in relation to each of the Products in the EU and US for orphan drug status. The parties agree that the applications shall be made in the name of Lipoxen.

4. Stage 2: Clinical Trials in Pharms Territory

4.1 Pharms shall conduct the Pharms Trials in the Pharms Territory in accordance with the Timetable, the Development Programme and the Specification. Pharms shall be entitled to manage the Pharms Trials through its in-house regulatory department or via an Appointed CRO.

4.2 Without prejudice to the generality of clause 4.1, Pharms shall:-

4.2.1 submit the CTA (Clinical Trials Application) to the regulatory authorities in the Pharms Territory for permission to conduct the Pharms Trials in relation to each of the Products on or before the dates set out in Schedule 8 of this Agreement; and

4.2.2 commence the Pharms Trials within 6 (six) calendar months of receiving permission form the regulatory authorities in the Pharms Territory to conduct the relevant Pharms Trial.

4.3 PHARMS shall be responsible for all costs and expenses for conducting the Pharms Trials, including the costs and expenses of any Appointed CRO which Pharms may appoint.

4.4 Pharms shall keep Lipoxen fully informed of all decisions it makes and all plans it has to conduct the Pharms Trials. Pharms shall comply with all instructions provided by Lipoxen in relation to conduct of the Pharms Trials which are reasonably required to ensure that the Pharms Trials are conducted in accordance with all applicable US and European Union laws, regulations, codes of practice, principles and guidelines, including EMEA and FDA requirements.

4.5 PHARMS shall enter into a written agreement with any Appointed CRO which shall contain all the terms normally found in such an agreement and which shall:-

4.5.1 provide that all Intellectual Property Rights generated pursuant to the Pharms Trials shall be owned either by Lipoxen and/or Pharms and/or jointly by the parties in accordance with the terms of this Agreement;

4.5.2 enable Pharms to comply with its obligations under this Agreement; and

4.5.3 be capable of assignment to Lipoxen, without the prior consent of the Appointed CRO, if this Agreement expires or is terminated by either of the parties.

4.6 Pharms undertakes that:-

4.6.1 the conduct of the Pharms Trials for the Products shall at all times comply with all the advice and instructions received from Lipoxen;

4.6.2 all relevant data obtained from the Pharms Trials shall be made available to Lipoxen for the purposes of conducting further clinical trials and/or seeking marketing authorisations in the Joint Territory; and

4.6.3 it will not knowingly conduct, or permit the Appointed CRO to conduct, a Pharms Trial in a manner that is inconsistent with

US and European Union laws, regulations, codes of practice, principles and guidelines, including EMEA and FDA requirements.

4.7 Pharms shall obtain the prior written approval of the Programme Committee of any and all protocols to be used in the Pharms Trials and shall comply with all reasonable instructions of the Programme Committee in relation to such protocols.

5 Stage 3: Clinical Development

5.1 The Programme Committee shall promptly review the results of the Pharms Trials and shall decide which, if any, Products have met the Success Criteria and which shall therefore move into Stage 3.

5.2 Subject to clause 5.3, the Programme Committee shall decide the strategy and responsibilities of the parties for full-scale pharmaceutical and clinical development of the Products in the Joint Territory in Stage 3 but the parties agree that the principles set out in this clause 5 shall be adopted.

5.3 Lipoxen shall be entitled to serve written notice on Pharms at any time after the Stage 2 Expiry Date in relation to a Product, specifying that Lipoxen intends, subject to the revenue sharing provisions set out in Schedule 10, to develop the relevant Product alone in the Joint Territories. Such notice shall only be effective in relation to a Product if at the time the notice is served, Pharms does not own or have licensed exclusively to it any material Intellectual Property Right relating to the Active of the relevant Product. If the notice referred to in this clause is effective, Lipoxen shall have the exclusive right, entirely at its own cost, to develop, distribute, manufacture, supply and sell the relevant Product in the Joint Territory without reference to Pharms and/or the Development Committee and the Product shall be deemed to be a Lipoxen Product.

5.4 Pharms will have exclusive rights and responsibility entirely at its own cost to develop, distribute and sell the Products in the Pharms Territory in accordance with the licence granted in clause 9 of this Agreement. Lipoxen shall not have any responsibility to carry out any research and/or development in the Pharms Territory.

5.5 Subject to clause 5.6, Lipoxen shall be responsible pursuant to instructions from the Programme Committee for:-

5.5.1 any and all applications for marketing authorisations to be made to the regulatory authorities, including EMEA and

FDA, in the Joint Territory in respect of the Products, which applications for the avoidance of doubt, shall be made in the name of Lipoxen;

5.5.2 any and all exploitation of the Products in the Joint Territory including, without limitation, negotiations with third parties and the determination of licensing arrangements with third parties for exploitation of the Products.

5.6 Lipoxen shall keep PHARMS fully informed on all developments relating to the exploitation of the Products and shall promptly provide a copy to PHARMS of any agreement entered into between Lipoxen and/or its Affiliates and a Licensee.

6. Manufacture

6.1 Pharms shall manufacture sufficient quantities of the Products meeting the Specifications for use in Stage 1 and Stage 2, at all times in accordance with the Timetable and the Development Programme.

6.2 Pharms shall be responsible for sourcing any and all PSA required by Pharms to manufacture the Products for use in Stage 2. If Pharms is unable to obtain a supply of PSA on reasonable commercial terms from a third party manufacturer it shall notify Lipoxen in writing and Lipoxen shall grant Pharms a right to use any PSA IP in the possession and control of Lipoxen at the date of the notice on reasonable commercial terms to be agreed between the parties.

6.3 Pharms warrants that it shall at all times comply with all laws regulations, codes of practice, principles and guidelines applicable to the manufacturing of the Actives and/or the Products in the Pharms Territory, including all relevant regulatory requirements in the Pharms relating to the manufacture of chemical and biological medicines and the administration of such medicines to humans. Prior to commencing any Pharms Trials in relation to the Products, Pharms shall provide evidence to Lipoxen that it has complied with this clause 6.3.

6.4 During Stage 1 and Stage 2, Pharms shall from time to time at the request of Lipoxen provide samples of the Products free of charge to Lipoxen for use by Lipoxen in research and development for commercial purposes.

6.5 Prior to commencing the Pharms Trials, PHARMS shall demonstrate to the satisfaction of Lipoxen that it is able to manufacture samples of the Products meeting the Specifications.

6.6 On or before the commencement of Stage 3 the parties shall jointly seek and appoint a contract manufacturing organisation to manufacture the Products to GMP to be used in the Joint Territory in Stage 3 (the "Appointed CMO"). The parties agree that the costs of the Appointed CMO shall be a Stage 3 Cost.

6.7 At the request of Lipoxen, Pharms shall transfer the Pharms Background IP to the Appointed CMO in accordance with clause 8.11.

7 Conduct, Reporting and Decision Making

Conduct

7.1 Each of Pharms and Lipoxen shall perform its obligations under this Agreement:-

7.1.1 in accordance with the Development Programme;

7.1.2 to the best of its ability in a professional manner consistent with industry standards;

7.1.3 in accordance with the standard of care customarily observed with regard to such activities;

7.1.4 in a timely manner and in accordance with the Timetable;

7.1.5 in accordance with all reasonable instructions received from the other party;

7.1.6 in compliance with all applicable laws, rules and regulations, including without limitation, where applicable, GMP, current good clinical or laboratory practices and good clinical practice.

Reporting

7.2 Pharms and Lipoxen shall, and Pharms shall procure that the Appointed CRO shall, during the term of this Agreement :-

7.2.1 keep detailed written records of its progress with the Development Programme and, at the request of the other party, promptly provide the other party with access to and/or copies of such records;

7.2.2 supply to the other party at least once every six weeks with an interim report describing the progress of the Development Programme including, without limitation, details of all material Arising IPR which has been made or which has come to its attention and containing recommendations regarding the future progress of the Development Programme;

7.2.3 notwithstanding clause 7.2.2 above, keep the other parties fully informed of the progress of the Development Programme and of all Arising IPR;

7.2.4 immediately notify the other parties in writing if there is an unexpected technical or scientific problem which may make it difficult or impossible to achieve or is likely to cause a material delay to the Development Programme, including any adverse events arising pursuant to the Pharms Trials.

7.3 Pharms will allow, and/or will procure that the Appointed CRO will allow, Lipoxen and/or its employees to:-

7.3.1 visit Pharms' facilities and/or the Appointed CRO's facilities; and

7.3.2 review Pharms' and/or the Appointed CRO's records at reasonable times and with reasonable frequency during normal business hours to:-

(a) verify compliance by Pharms and/or the Appointed CRO with the terms of this Agreement; and/or

(b) observe the progress of the Development Programme.

7.4 Pharms shall, or shall procure that the Appointed CRO shall, update the Programme Committee on the progress of the Pharms Trials on a monthly basis via a telephone conference call with the Programme Committee.

Programme Committee

7.5 The parties shall establish a Programme Committee consisting of four individuals, comprising two representatives of Pharms and two representatives of Lipoxen. The initial representatives of each of Lipoxen and Pharms are identified in Schedule 9. The expenses of the Pharms representatives shall be borne by Pharms and the expenses of the Lipoxen representatives shall be borne by Lipoxen.

7.6 Lipoxen and Pharms may from time to time change its representatives on the Programme Committee by notifying the other parties in writing in advance. The replacement shall be suitably qualified and capable of fulfilling the responsibilities of a member of the Programme Committee under this agreement.

7.7 Lipoxen shall be entitled to appoint one of its representatives on the Programme Committee as the chair person of the Programme Committee.

7.8 The Programme Committee will be responsible for the overall management of the Development Programme and shall meet at

least once every month either in person or through teleconference or in any other mode to discuss the progress of the Development Programme.

7.9 The Programme Committee shall:-

7.9.1 on or promptly after the Commencement Date, meet and agree the Specifications and Success Criteria for the Products;

7.9.2 during Stage 2 meet and agree an extension to the Development Programme to address the development of the Products which are not Lipoxen Products in Stage 3; and

7.9.3 at the relevant time during the Development Programme determine whether the Products meet the Success Criteria.

7.10 All material decisions of the Programme Committee shall be recorded in writing.

7.11 The parties shall agree mutually when to conduct the monthly meetings of the Programme Committee. In addition and/or if the parties cannot agree a date for the monthly meetings, each party shall be entitled to convene a meeting of the Programme Committee on giving not less than one calendar months' written notice to the other party.

7.12 The parties agree that:-

7.12.1 meetings of the Programme Committee may occur by telephone conference call;

7.12.2 the quorum for a meeting of the Programme Committee shall be two representatives of each party;

7.12.3 no valid meeting of the Programme Committee may be held unless a quorum is present and the parties have agreed the date of the meeting in writing or all parties have received not less than one calendar months written notice of the meeting (or such shorter notice period as the parties shall previously agree in writing);

7.12.4 each person present at a meeting of the Programme Committee shall have a single vote; and

7.12.5 the chair person of the Programme Committee shall have the casting vote in relation to any decisions to be made by the Programme Committee.

7.13 For the avoidance of doubt, other than as set out in clause 7.9, the Programme Committee shall not have the authority to amend the Development Programme, the Timetable or the terms of this Agreement.

8 Intellectual Property Rights

8.1 Provided Pharms is not in breach of clause 8.6 in relation to the relevant Pharms Active Component, any and all Arising IPR that relates specifically to the Pharms Active Components shall belong to Pharms.

8.2 Any and all Arising IPR that relates specifically to the Lipoxen Technology shall belong to Lipoxen.

8.3 Any Arising IPR that is not owned by Pharms or Lipoxen pursuant to clauses 8.1 and 8.2 shall be owned jointly by the Lipoxen and Pharms. Subject to clauses 8.4 and 8.5, and the parties' respective rights to use the Joint Arising IPR pursuant to clauses 8.6 and 8.7, the parties shall collaborate to agree the appropriate method for the protection, development and exploitation of the Joint Arising IPR.

8.4 Lipoxen shall have sole conduct and control of any and all patent applications made in respect of the Joint Arising IPR. The cost of any such patent applications (and the cost of maintaining any patents granted in respect thereof) shall be shared jointly by Lipoxen and Pharms.

8.5 Lipoxen shall consult regularly with Pharms in relation to the patents and patent applications referred to in clause 8.4 and shall comply with all reasonable suggestions made by Pharms in relation to the prosecution of such patent applications. PHARMS shall provide Lipoxen with all assistance reasonably required by Lipoxen in relation to the prosecution and maintenance of the patents and patent applications referred to in clause 8.4.

Pharms Active Components

8.6 Pharms undertakes to Lipoxen that Pharms:

8.6.1 owns or has the exclusive, world wide right to use (with the right to grant sub-licenses) the Pharms Active Components; and/or

8.6.2 it will acquire the rights referred to in clause 8.6.1 prior to the expiry of Stage 2 or by 31 December 2010 (whichever is earlier) on terms that are reasonably acceptable to Lipoxen.

8.7 As and when requested to do so by Lipoxen, Pharms shall provide written evidence to Lipoxen that Pharms is not in breach of the terms of clause 8.6.

8.8 Lipoxen shall have the right at any time to terminate this Agreement on a Product by Product basis with immediate effect on written notice to Pharms if Pharms is in breach of clause 8.6 and/or 8.7 of this Agreement in relation to any Pharms Active Component that relates to the relevant Product.

Licence to Lipoxen

8.9 Pharms grants to Lipoxen and its Affiliates an exclusive licence, with the right to grant sub-licences, in the Joint Territory to research, develop, make, have made, market, supply, sell and distribute Products using:-

8.9.1 the Pharms Background IPR;

8.9.2 the Pharms Know How;

8.9.3 the Joint Arising IPR; and

8.9.4 the Pharms Arising IPR.

8.10 Pharms shall, at the request of Lipoxen, supply to Lipoxen any cell lines used by Pharms in the development and/or manufacture of the Products and the licence set out in clause 8.9 shall, for the avoidance of doubt, include the right to use any such cell lines.

8.11 At Lipoxen's request, Pharms will disclose and/or transfer to Lipoxen, its Licensee and/or the Appointed CRO, using a method of know how transfer reasonably acceptable to Lipoxen, all information and materials (including samples of the cell lines referred to in clause 8.10) that are reasonably required to enable Lipoxen to exploit the licence granted under clause 8.9.

Third Party Intellectual Property Rights

8.12 Each party shall immediately notify the other party in writing if it becomes aware of any third party Intellectual Property Rights relating to any of the Products ("Third Party IP Rights").

8.13 The parties shall co-operate to evaluate the strength and validity of any Third Party IP Rights and the Programme Committee shall decide how to address the Third Party IP Rights.

8.14 If the Programme Committee decides to challenge or take a licence of the Third Party IP Rights, Lipoxen shall be responsible, at the joint cost of the parties, for any action recommended by the Programme Committee.

8.15 Either party may terminate this Agreement on 30 (thirty) days written notice to the other party in relation to a particular Product if, in its reasonable opinion, a Third Party IP Right exists which would have a material effect on the research and/or development of the relevant Product.

8.16 For the avoidance of doubt, any and all costs and/or expenses reasonably and properly incurred by the parties in relation to a Third Party IP Right, including any licence fees and/or costs of evaluating and challenging a Third Party IP Right, shall be deemed to be a Stage 3 Cost.

9. Grant of Rights to Pharms

PolyXen Licence

9.1 Subject to clause 2, Lipoxen hereby grants to Pharms, subject to the provisions of this Agreement, an exclusive licence to use the PolyXen Patents and the PolyXen Know How in the Pharms Territory to research, develop, manufacture, have manufactured, use, sell, supply and otherwise exploit the PolyXen Products. This licence shall include any and all Lipoxen Arising IPR and Joint Arising IPR to the extent it relates to the PolyXen Technology.

9.2 The licence granted pursuant to Clause 9.1 shall expire on the later of the following dates:

9.2.1 the date upon which no Valid Claim of the PolyXen Patents exists in the Pharms Territory; or

9.2.2 fifteen (15) years from the Commencement Date.

ImuXen Licence

9.3 Subject to clause 2, Lipoxen hereby grants to Pharms, subject to the provisions of this Agreement, an exclusive licence to use the ImuXen Patents and the ImuXen Know How in the Pharms Territory to research, develop, manufacture, have manufactured, use, sell, supply and otherwise exploit ImuXen Products. This licence shall include any and all Lipoxen Arising IPR and Joint Arising IPR to the extent it relates to the ImuXen Technology.

9.4 The licence granted pursuant to Clause 9.3 shall expire on the later of the following dates:

9.4.1 the date upon which no Valid Claim of the ImuXen Patents exists in the Pharms Territory; or

9.4.2 fifteen (15) years from the Commencement Date.

Sub-licensing

9.5 Pharms shall not be entitled to sub-licence and/or sub-contract its granted rights under this Agreement to any person without the prior written consent of Lipoxen.

No Other License

9.6 It is acknowledged and agreed that no licence is granted by Lipoxen to Pharms other than the licences expressly granted by the provisions of this Clause 9. Without prejudice to the generality of the foregoing, Lipoxen reserves all rights under the Lipoxen Patents and the Lipoxen Know How:-

9.6.1 in relation to any products which are not Products; and

9.6.2 outside the Pharms Territory.

Quality

9.7 Pharms shall ensure that all of the Products sold of supplied by it are of satisfactory quality and comply with all applicable laws and regulations in each part of the Pharms Territory.

10. Costs

10.1 Subject to Clause 10.2, Lipoxen and Pharms shall each be entirely responsible for their own Stage 1 Costs which they incur.

10.2 If Lipoxen agrees to provide more than the Know How Transfer Time, Lipoxen shall be entitled to charge Pharms for any additional time provided by Lipoxen at a rate of US$1000 (one thousand US dollars) per working day per scientist.

10.3 Pharms shall be entirely responsible for all of the Stage 2 Costs.

10.4 Subject to Clause 10.5, Lipoxen and Pharms shall share equally the Stage 3 Costs.

10.5 A cost and/or expense shall not be deemed to be properly incurred by a party if it exceeds £5,000 (five thousand pounds sterling) and a party has not obtained the prior written consent of the Program Committee to the relevant cost or expense.

10.6 In relation to the costs that are to be shared equally, Lipoxen and Pharms shall carry out a reconciliation at the end of each Quarter as follows:-

10.6.1 within 10 working days of the end of the Quarter, Pharms and Lipoxen will submit an invoice to the other party setting out details of the costs it incurred in the previous Quarter in relation to this Agreement which if incurred in a currency other than US dollars shall be converted to US dollars using the open middle market spot rate of exchange in London as published in the Financial Times on the last day of the relevant Quarter;

10.6.2 provided the costs shown on the relevant invoice are reasonable and have been properly incurred, the party with the lower invoice shall pay half of the balance of the other party's invoice within 30 working days of the date of the other party's invoice.

11. Records and Auditing

11.1 Lipoxen and Pharms shall during the term of this Agreement and for a period of five (5) years thereafter, keep at their normal place of business detailed and up-to-date records and accounts showing:-

11.1.1 any and all costs and expenses it has incurred in relation to the Development Programme; and

11.1.2 the quantity, description, and value of Products sold by it, on a country-by-country basis, and being sufficient to ascertain the payments due under this Agreement.

11.2 Each of the parties shall make its records and accounts available, on reasonable notice, for inspection during business hours by an independent chartered accountant nominated by the other party for the purpose of verifying the accuracy of any statement or report provided under this Agreement and any payments due under this Agreement. The accountant shall be required to keep confidential all information learnt during any such inspection, and to disclose to the inspecting party only such details as may be necessary to report on the accuracy of the statement, report or payment. The inspecting party shall be responsible for the accountant's charges unless the accountant certifies that there is an inaccuracy of more than 5% (five per cent) in any statement or payment, in which case the party being inspected shall pay the accountant's charges in respect of that inspection.

12 Revenue Sharing

12.1 The parties agree that the revenues from the Products shall be shared by the parties as set out in Schedule 10.

13 Payment Terms

13.1 All sums due under this Agreement:

13.1.1 are exclusive of Value Added Tax or any other sales tax or duties, which if and where applicable will be paid by the payor to the payee in addition to any sum in respect of which they are calculated;

13.1.2 shall be paid in US dollars to the credit of the payee's bank account, details of which shall be notified to the payor as and when necessary;

13.1.3 shall be made without deduction of income tax or other taxes charges or duties that may be imposed, except insofar as the payor is required to deduct the same to comply with applicable laws. The parties shall co-operate and take all steps reasonably and lawfully available to them, at the expense of the payee, to avoid deducting such taxes and to obtain double taxation relief. If the payor is required to make any such deduction it shall provide the payee with such certificates or other documents as it can reasonably obtain to enable the payee to obtain appropriate relief from double taxation of the payment in question; and

13.1.4 shall be made by the due date, failing which the payee may charge interest on any outstanding amount calculated on a monthly basis at a rate equivalent to 5% above the London Inter-Bank Offer Rate (6 months).

13.2 If either party is obliged pursuant to a government order or otherwise to withhold payment of any sum due under this Agreement to the other party, the payor shall use its best endeavours to release the payment to the other party. If the payment has not been released within 30 (thirty) days of its due date for payment, the payee shall be entitled to deduct the payment from any sums to the payor from the payee pursuant to this Agreement.

13.3 The parties agree that each party shall be responsible for paying any taxes arising pursuant to or in relation to this Agreement for which the party is primarily liable.

13.4 The parties agree that they will use their best endeavours to collaborate to establish a corporate structure for the licensing of the Products and for the receipt of any revenues that is tax efficient for the parties.

14 Liability

14.1 Pharms shall be responsible for all risks and liability arising from or in relation to the Pharms Trials and/or Pharms' development, sale and/or supply of Products in the Pharms Territory. Pharms shall maintain appropriate insurance to cover any such liability.

14.2 Pharms shall, if requested to do so by Lipoxen, provide evidence to Lipoxen that it has complied with the terms of this clause 14.1. Pharms shall indemnify and shall keep Lipoxen indemnified against any and all liability, damages, claims, proceedings and expenses (including, but not limited to, legal expenses and expert's fees) arising out of or in connection with the Pharms Trials and/or Pharms' development, sale and/or supply of Products in the Pharms Territory provided that Pharms shall not be liable under this clause 14.2 for any and all liability, damages, claims, proceedings and expenses (including but not limited to, legal expenses and expert's fees) that arise directly as a result of express instructions received from Lipoxen in relation to conduct of the Pharms Trials.

14.3 The parties shall be jointly responsible for all risks and liability arising from or in relation to the Clinical Trials and/or the development, sale and/or supply of the Joint Products in the Joint Territory. The parties shall maintain appropriate insurance to cover any such liability.

14.4 Each party shall indemnify the other and keep the other indemnified against half of any and all liability, damages, claims, proceedings and expenses (including, but not limited to, legal expenses and expert's fees) arising out of or in connection with the Clinical Trials and/or the development, sale and/or supply of Joint Products in the Joint Territory provided that neither party shall be liable under this clause 14.4 for any and all liability, damages, claims, proceedings and expenses (including but not limited to, legal expenses and expert's fees) that arise as a result of a breach of this Agreement by the other party

15 Confidentiality and Publication

15.1 Each party (the "Receiving Party") undertakes:-

15.1.1 to maintain as secret and confidential all Confidential Information obtained directly or indirectly from the other party ("Disclosing Party") in the course of or in anticipation of this Agreement;

15.1.2 to use and disclose the Confidential Information of the other party only for the purposes of this Agreement and/or in so far as such use and/or disclosure is reasonably required to enable the party to exploit its rights under this Agreement;

15.1.3 to disclose the Confidential Information of the other party only to those of its employees, contractors, and sub-licensees to whom and to the extent that such disclosure is reasonably necessary for the purposes of exploiting its rights and complying with its obligations under this Agreement;

15.1.4 to comply with the obligations of this clause 15 for so long as it has knowledge of any Confidential Information received or derived from the other party which period shall, for the avoidance of doubt, survive termination or expiry of this Agreement.

15.2 The provisions of clause 15.1 shall not apply to Confidential Information which the Receiving Party can prove:-

15.2.1 was, prior to its receipt by the Receiving Party from the Disclosing Party, in the possession of the Receiving Party and at its free disposal;

15.2.2 is subsequently disclosed to the Receiving Party without any obligations of confidence by a third party who has not derived it directly or indirectly from the Disclosing Party;

15.2.3 is or becomes generally available to the public through no act or default of the Receiving Party or its agents, employees, Affiliates or sub-licensees;

15.2.4 the Receiving Party is required to disclose to the courts of any competent jurisdiction, or to any government regulatory agency or financial authority, provided that the Receiving Party shall:-

(a) inform the Disclosing Party as soon as is reasonably practicable of its obligation to disclose such information; and

(b) at the Disclosing Party's request seek to persuade the court, agency or authority to have such information treated in a confidential manner, where this is possible under the court, agency or authority's procedures.

15.3 The Receiving Party shall procure that all of its employees, contractors who have access to any of the Disclosing Party's Confidential Information, shall be made aware of and subject to these obligations and shall have entered into written undertakings of confidentiality at least as restrictive as those set out in this Clause 15.

15.4 The parties agree that any publications relating to the Results shall be approved in advance by the Development Committee. Any publications shall acknowledge both parties appropriately, and Lipoxen shall have the first right to submit any paper for publication.

16. Duration and Termination

16.1 This Agreement shall commence on the Commencement Date and shall continue until terminated in accordance with its terms.

16.2 Without prejudice to any other right or remedy any party may terminate this Agreement by notice in writing to the other Party ("Other Party"), such notice to take effect as specified in the notice:-

16.2.1 if the Other Party is in material breach of this Agreement and, in the case of a breach capable of remedy, the breach is not remedied within 90 (ninety) days of the Other Party receiving notice specifying the breach and requiring its remedy; and/or

16.2.2 if (A) the Other Party becomes insolvent or unable to pay its debts as and when they become due, or (B) an order is made or a resolution is passed for the winding up of Other Party (other than voluntarily for the purpose of solvent amalgamation or reconstruction), or (C) a liquidator, administrator, administrative receiver, receiver, or trustee is appointed in respect of the whole or any part of the Other Party's assets or business, or (D) the Other Party makes any composition with its creditors, or (E) the Other Party ceases to continue its business, or (F) as a result of debt and/or maladministration the Other Party takes or suffers any similar or analogous action in any jurisdiction.

16.3 If Pharms is in breach of clauses 4.2.1 or 4.2.2 of this Agreement in relation to one or more Products then Lipoxen shall be entitled to terminate this Agreement in relation just to the Product or Products to which the breach relates with immediate effect by notice in writing to Pharms.

16.4 Lipoxen may terminate this Agreement in accordance with clause 8.8 in relation to the specific Product.

16.5 Either party may terminate this Agreement in relation to a specific Product if the relevant Product does not meet the relevant Success Criteria for the Product.

16.6 Either party may terminate this Agreement on a Product by Product basis in accordance with clause 8.15.

17 Consequences of Termination

17.1 Upon termination or expiry of this Agreement for any reason:

17.1.1 Pharms shall provide to Lipoxen a detailed report setting out the progress it has made with the Development Programme;

17.1.2 Pharms shall provide to Lipoxen all data (including without limitation clinical trials data), know-how and materials generated by Pharms in connection with the Development Programme;

17.1.3 to the extent that title has not previously passed to Lipoxen pursuant to this Agreement, Pharms shall assign to Lipoxen all of the Arising IPR;

17.1.4 at Lipoxen's option Pharms shall return to Lipoxen or destroy all other data, know-how and materials provided to Pharms by Lipoxen, or generated by Pharms in connection with the Development Programme;

17.1.5 any rights or remedies of any of the parties arising from any breach of this Agreement shall continue to be enforceable;

17.1.6 Pharms shall no longer be licensed to use or otherwise exploit in any way, either directly or indirectly, the Lipoxen Technology, the Lipoxen Arising IPR or the Joint Arising IPR in the Pharms Territory or the Joint Territory and Pharms shall, and shall procure that its Appointed CRO shall, forthwith cease all activities requiring a licence from Lipoxen;

17.1.7 at the request of Lipoxen, Pharms shall assign to Lipoxen any one or all of the CRO Agreements;

17.1.8 the following clauses shall continue in full force and effect: 1, 2, 6.7, 8.9 to 8.11, 11, 14 (in so far as it relates to liability arising prior to termination), 15.1 to 15.3, 17 and 18; and

17.1.9 each party shall return to the other within a reasonable period of time all Confidential Information and any copies thereof disclosed to it by the other party.

17.2 Upon expiry or termination of this Agreement in relation to a one or more Products, the consequences set out in clause 17.1 shall apply but only in so far as they relate to the relevant Product.

18 General

Amendment

18.1 This Agreement, the Development Programme and the Timetable may only be amended in writing signed by duly authorised representatives of the parties or by the Development Committee as is expressly set out in this agreement.

Assignment and third party rights

18.2 Other than as is expressly set out in this Agreement, none of the parties shall assign, mortgage, charge or otherwise transfer any rights or obligations under this Agreement without the prior written consent of the other Party.

18.3 Any of the parties may assign all its rights and obligations under this Agreement to any company to which it transfers all of its assets or business, PROVIDED that the assignee undertakes to the other parties to be bound by and perform the obligations of the assignor under this Agreement.

Waiver

18.4 No failure or delay on the part of any party to exercise any right or remedy under this Agreement shall be construed or operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude the further exercise of such right or remedy.

Invalid clause

18.5 If any provision or part of this Agreement is held to be void or invalid, amendments to this Agreement may be made by the addition or deletion of wording as appropriate to remove the void or invalid part or provision but otherwise retain the provision and the other provisions of this Agreement to the maximum extent permissible under applicable law. The parties shall endeavour to agree amendments to such void or invalid provisions in a reasonable manner so as to achieve the original intention of the parties.

Change of Control

18.6 Any substantial change in the management and control of either of the parties and/or any merger of either of the parties with another entity shall not result in termination of this Agreement and it shall be the responsibility of the then existing management of the party to see that the continuity of this Agreement is maintained in all respects and the agreement shall continue to be in force.

Formal licences

18.7 The parties shall execute such formal licences, documents as may be necessary or appropriate for registration of the rights granted under this Agreement with Patent Offices and other relevant authorities. The parties shall use reasonable endeavours to ensure that, to the extent permitted by relevant authorities and unless required to submit this Agreement by any order of law, this Agreement shall not form part of any public record.

Role of Parties

18.8 The parties hereto expressly understand and agree that Lipoxen and Pharms are independent contractors in the performance of each and every part of this Agreement. Subject to the provisions of clause 8.3 relating to joint ownership of the Joint Foreground, nothing contained herein shall be construed as creating any agency, partnership or other form of joint enterprise between the parties.

Interpretation

18.9 In this Agreement:

18.9.1 the headings are used for convenience only and shall not affect its interpretation;

18.9.2 references to persons shall include incorporated and unincorporated persons; references to the singular include the plural and vice versa; and references to the masculine include the feminine;

18.9.3 references to Parties or parties means Lipoxen, Pharms and FDS;

18.9.4 references to clauses and Schedules mean clauses of, and schedules to, this Agreement; and

18.9.5 references to the grant of "exclusive" rights shall mean that the person granting the rights shall neither grant the same rights (in the same field and territory) to any other person, nor exercise those rights itself.

Notices

18.10 Any notice to be given under this Agreement shall be in writing and shall be sent by first class mail or air mail, or by fax (confirmed by first class mail or air mail) to the address of the relevant party set out at the head of this Agreement, or to the relevant fax number set out below, or such other address or fax number as that party may from time to time notify to the other

parties in accordance with this clause. The fax numbers of the parties are as follows: Lipoxen +44 20 7389 5011; Pharms +7 812 329 8089.

18.11 Notices sent as specified in clause 18.10 shall be deemed to have been received three working days after the day of posting (in the case of inland first class mail), or ten working days after the date of posting (in the case of air mail), or on the next working day after transmission (in the case of fax messages, but only if a transmission report is generated by the sender's fax machine recording a message from the recipient's fax machine, confirming that the fax was sent to the number indicated above and confirming that all pages were successfully transmitted).

Law and Jurisdiction

18.2 The validity, construction and performance of this Agreement shall be governed by the laws of England and Wales and shall be subject to the exclusive jurisdiction of the courts of England and Wales to which the parties hereby irrevocably submit, except that a party may seek an interim injunction in any court of competent jurisdiction.

Further action

18.3 Each party agrees to execute, acknowledge and deliver such further instruments, and do all further similar acts, as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

Announcements

18.4 Neither party shall make any press or other public announcement concerning any aspect of this Agreement, or make any use of the name of the other party in connection with or in consequence of this Agreement, without the prior written consent of the other party. The parties agree that any agreed announcements will first be made in the name of Lipoxen.

Entire agreement

18.15 This Agreement, including its Schedules, sets out the entire agreement between the parties relating to its subject matter and supersedes all prior oral or written agreements, arrangements or understandings between them relating to such subject matter.

18.16 The parties acknowledge that they are not relying on any representation, agreement, term or condition which is not set out in this Agreement.

18.17 Nothing in this Agreement shall exclude any of the parties' liability for fraudulent misrepresentation.

Third parties

18.18 With the exception of any rights expressly created in this Agreement in favour of Affiliates of Lipoxen , this Agreement does not create any right enforceable by any person who is not a party to it.

AGREED by the parties through their authorised signatories on the date written above:

For and on behalf of **Lipoxen Technologies Limited**	**For and on behalf of** **Pharmasynthez**
Signed	Signed
Print name	Print name
Title	Title

Schedule 1

Development Programme

Schedule 2

Components of the Products

Part 1 – [***] **(Product A)**

E.coli expressed human recombinant deoxyribonuclease-1 protein having following amino acid structure:-

Part 2 – [***] **(Product B)**

[***]

[***]

Part 3 – (Product C)

[***]

[***]

Part 4 – [***] **(Product D)**

[***]

[***]

[***]

[***]

[***]

[***]

[***]

Part 5 – [***] **(Product E)**

[***]

[***]

Part 6 - [***] **(Product F)**

[***]

[***]

Schedule 3

ImuXen Patents

Patent Name	Country Of Filing	Case Status	Application No.	Application Date	Grant Date	Inventors	1st Priority Country	1st Priority Appln No.	1st Priority Date
Gene Vaccine	Australia	Granted.	42154/97	15/09/1997	26/04/2001	Gregoriadis, Gregory	GB	9619172.1	13/09/1996
Gene Vaccine	Canada	Granted.	2271388	15/09/1997	06/11/2007		GB	9619172.1	13/09/1996
Gene Vaccine	China	Granted.	97199674.1	15/09/1997	18/02/2004		GB	9619172.1	13/09/1996
Gene Vaccine	France	Granted.	97940250.0	15/09/1997	04/12/2002		GB	9619172.1	13/09/1996
Gene Vaccine	Ireland	Granted.	97940250.0	15/09/1997	04/12/2002		GB	9619172.1	13/09/1996
Gene Vaccine	Italy	Granted.	97940250.0	15/09/1997	04/12/2002		GB	9619172.1	13/09/1996
Gene Vaccine	Belgium	Granted.	97940250.0	15/09/1997	04/12/2002		GB	9619172.1	13/09/1996
Gene Vaccine	United Kingdom	Granted.	97940250.0	15/09/1997	04/12/2002		GB	9619172.1	13/09/1996
Gene Vaccine	Spain	Granted.	97940250.0	15/09/1997	04/12/2002		GB	9619172.1	13/09/1996
Gene Vaccine	Germany	Granted.	97940250.0	15/09/1997	04/12/2002		GB	9619172.1	13/09/1996
Gene Vaccine	Switzerland	Granted.	97940250.0	15/09/1997	04/12/2002		GB	9619172.1	13/09/1996
Gene Vaccine	Japan	Filed.	1998-513398	15/09/1997			GB	9619172.1	13/09/1996
Gene Vaccine	Korea (Republic of)	Granted.	99-7002103	15/09/1997	02/08/2005		GB	9619172.1	13/09/1996
Gene Vaccine div	European Patent Office	Allowed	02016936.3	15/09/1997			GB	9619172.1	13/09/1996
Gene Vaccine Div.	United States of America	Allowed	10/617734	15/09/1997			GB	9619172.1	13/09/1996

Patent Name	Country Of Filing	Case Status	Application No.	Application Date	Grant Date	Inventors	1st Priority Country	1st Priority Appln No.	1st Priority Date
Taxol in DRV	Germany	Granted.	01948934.3	31/01/2001	04/10/2006	Zadi, Brahim	EP	00300904.0	04/02/2000
Taxol in DRV	United Kingdom	Granted.	01948934.3	31/01/2001	04/10/2006		EP	00300904.0	04/02/2000
Taxol in DRV	France	Granted.	01948934.3	31/01/2001	04/10/2006		EP	00300904.0	04/02/2000
Taxol in DRV	Spain	Granted.	01948934.3	31/01/2001	04/10/2006		EP	00300904.0	04/02/2000
Taxol in DRV	Italy	Granted.	01948934.3	31/01/2001	04/10/2006		EP	00300904.0	04/02/2000
Taxol in DRV	Switzerland	Granted.	01948934.3	31/01/2001	04/10/2006		EP	00300904.0	04/02/2000
Taxol in DRV	Japan	Filed.	2001-556240	31/01/2001			EP	00300904.0	04/02/2000
Taxol in DRV	United States of America	Granted.	10/182921	31/01/2001	11/04/2006		EP	00300904.0	04/02/2000

Patent Name	Country Of Filing	Case Status	Application No.	Application Date	Grant Date	Inventors	1st Priority Country	1st Priority Appln No.	1st Priority Date
Oral Delivery	Canada	Filed.	2386024	02/10/2000		Gregoriades, G. and Perrie, Y.	EP	99307786.6	01/10/1999
Oral Delivery	China	Granted.	00813476.6	02/10/2000	13/04/2005		EP	99307786.6	01/10/1999
Oral Delivery	Italy	Granted.	00964471.7	02/10/2000	14/12/2005		EP	99307786.6	01/10/1999
Oral Delivery	United Kingdom	Granted.	00964471.7	02/10/2000	14/12/2005		EP	99307786.6	01/10/1999
Oral Delivery	Germany	Granted.	00964471.7	02/10/2000	14/12/2005		EP	99307786.6	01/10/1999
Oral Delivery	France	Granted.	00964471.7	02/10/2000	14/12/2005		EP	99307786.6	01/10/1999
Oral Delivery	Spain	Granted.	00964471.7	02/10/2000	14/12/2005		EP	99307786.6	01/10/1999
Oral Delivery	Switzerland	Granted.	00964471.7	02/10/2000	14/12/2005		EP	99307786.6	01/10/1999
Oral Delivery	Japan	Filed.	2001-527772	02/10/2000			EP	99307786.6	01/10/1999
Oral Delivery	Korea (Republic of)	Granted.	2002-7003922	02/10/2000	24/07/2007		EP	99307786.6	01/10/1999
Oral Delivery	United States of America	Granted.	10/089312	02/10/2000	07/03/2006		EP	99307786.6	01/10/1999

Patent Name	Country Of Filing	Case Status	Application No.	Application Date	Grant Date	Inventors	1st Priority County	1st Priority Appln No.	1st Priority Date
Capisomes	Switzerland	Granted.	00981480.7	12/12/2000	01/09/2004	Gregoriadis, G	EP	99310032.0	13/12/1999
Capisomes	United Kingdom	Granted.	00981480.7	12/12/2000	01/09/2004		EP	99310032.0	13/12/1999
Capisomes	Belgium	Granted.	00981480.7	12/12/2000	01/09/2004		EP	99310032.0	13/12/1999
Capisomes	Italy	Granted.	00981480.7	12/12/2000	01/09/2004		EP	99310032.0	13/12/1999
Capisomes	France	Granted.	00901480.7	12/12/2000	01/09/2004		EP	99310032.0	13/12/1999
Capisomes	Germany	Granted.	00981480.7	12/12/2000	01/09/2004		EP	99310032.0	13/12/1999
Capisomes	United States of America	Filed.	10/149670	12/12/2000			EP	99310032.0	13/12/1999

Patent Name	Country Of Filing	Case Status	Application No.	Application Date	Grant Date	Inventors	1st Priority Country	1st Priority Appln No.	1st Priority Date
Co-Delivery	China	Granted.	03815952.X	07/07/2003	03/10/2007	Bacon. et. al.	EP	02254733.5	05/07/2002
Co-Delivery	Switzerland	Granted.	03738331.2	07/07/2003	20/12/2006		EP	02254733.5	05/07/2002
Co-Delivery	Italy	Granted.	03738331.2	07/07/2003	20/12/2006		EP	02254733.5	05/07/2002
Co-Delivery	Ireland	Granted.	03738331.2	07/07/2003	20/12/2006		EP	02254733.5	05/07/2002
Co-Delivery	United Kingdom	Granted.	03738331.2	07/07/2003	20/12/2006		EP	02254733.5	05/07/2002
Co-Delivery	France	Granted.	03738331.2	07/07/2003	20/12/2006		EP	02254733.5	05/07/2002
Co-Delivery	Spain	Granted.	03738331.2	07/07/2003	20/12/2006		EP	02254733.5	05/07/2002
Co-Delivery	Germany	Granted.	03738331.2	07/07/2003	20/12/2006		EP	02254733.5	05/07/2002
Co-Delivery	Belgium	Granted.	03738331.2	07/07/2003	20/12/2006		EP	02254733.5	05/07/2002
Co-Delivery	India	Filed.	376/DELNP/2005	07/07/2003			EP	02254733.5	05/07/2002
Co-Delivery	Japan	Filed.	2004-518995	07/07/2003			EP	02254733.5	05/07/2002
Co-Delivery	Russian Federation	Filed.	2004137791	07/07/2003			EP	02254733.5	05/07/2002
Co-Delivery	United States of America	Filed.	10/520169	07/07/2003			EP	02254733.5	05/07/2002

Patent Name	Country Of Filing	Case Status	Application No.	Application Date	Grant Date	Inventors	1st Priority Country	1st Priority Appln No.	1st Priority Date
PS Vaccines TT/DT C	W.I.P.O.	Filed.	PCT/EP 06/66935	29/09/2006		Bacon, et al.	EP	05256160.2	30/09/2005
Multivalent Vaccines	W.I.P.O.	Filed.	PCT/EP 06/66938	29/09/2006		Bacon, et al.	EP	05256160.2	30/09/2005

Schedule 4

Pharms Active Components

Product	Active	Pharms Active Component
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

Schedule 5

Pharms Trials

Product	Active	Trial to be conducted by Pharms in Pharms Territory for Stage 2
Product A	[***]	Phase I-IIA
Product B	[***]	Phase I-IIA
Product C	[***]	Phase I
Product D	[***]	Phase I-IIA
Product E	[***]	Phase I-IIA
Product F	[***]	Phase I-IIA

Schedule 6

PolyXen Patents

Patent Name	Country Of Filing	Case Status	Application No.	Application Date	Grant Date	Inventors	Patent No.	1st Priority Date
Polysaccharide B in DDS	Germany	Granted.	92911095.5	08/06/1992	16/08/2001	Gregoriadis, Gregory	EP0587639	06/06/1991
Polysaccharide B in DDS	United Kingdom	Granted.	92911095.5	08/06/1992	16/08/2001		EP0587639	06/06/1991
Polysaccharide B in DDS	France	Granted.	92911095.5	08/06/1992	16/08/2001		EP0587639	06/06/1991
Polysaccharide B in DDS	Italy	Granted.	92911095.5	08/06/1992	16/08/2001		EP0587639	06/06/1991
Polysaccharide B in DDS	Spain	Granted.	92911095.5	08/06/1992	16/08/2001		EP0587639	06/06/1991
Polysaccharide B in DDS	USA	Granted.	08/431474	01/05/1995	08/12/1998		5846951	06/06/1991
Polysaccharide B in DDS	Japan	Granted.	510527/92	08/06/1992	22/04/2005		3671054	06/06/1991
Polysaccharide B in DDS	Canada	Granted.	2109952	08/06/1992	18/11/2003		2109952	06/06/1991
Polysaccharide B in DDS	Korea (Republic of)	Granted.	93-703716	08/06/1992	18/09/2002		354944	06/06/1991
PSB in DDS Div	Japan	Granted.	2005-42054	08/06/1992	26/06/2009		4332507	06/06/1991

Patent Name	Country Of Filing	Case Status	Application	Application	Grant Date	Inventors	Patent No.	1st Priority
Polysialylation in SDS	Spain	Granted.	1931843.5	14/05/2001	21/12/2005	Gregoriadis, Gregory	EP1335931	16/05/2000
Polysialylation in SDS	Germany	Granted.	1931843.5	14/05/2001	21/12/2005		EP1335931	16/05/2000
Polysialylation in SDS	France	Granted.	1931843.5	14/05/2001	21/12/2005		EP1335931	16/05/2000
Polysialylation in SDS	Switzerland	Granted.	1931843.5	14/05/2001	21/12/2005		EP1335931	16/05/2000
Polysialylation in SDS	Italy	Granted.	1931843.5	14/05/2001	21/12/2005		EP1335931	16/05/2000
Polysialylation in SDS	United Kingdom	Granted.	1931843.5	14/05/2001	21/12/2005		EP1335931	16/05/2000
Polysialylation in SDS	Japan	Filed.	2001-585141	14/05/2001				16/05/2000
Polysialylation in SDS	USA	Granted.	10/276552	14/05/2001	08/11/2005		6962972	16/05/2000

Patent Name	Country Of Filing	Case Status	Application	Application	Grant Date	Inventors	Patent No.	1st Priority
Monofunctional PSA	Eur. Patent Office	Filed.	4768074.9	12/08/2004		Jain, et al.		12/08/2003
Monofunctional PSA	India	Filed.	985/DELNP/2006	12/08/2004				12/08/2003
Monofunctional PSA	Japan	Filed.	2006-523058	12/08/2004				12/08/2003
Monofunctional PSA	Korea (Republic of)	Filed.	2006-7002900	12/08/2004				12/08/2003
Monofunctional PSA	Russian Federation	Granted	2006107546	12/08/2004	10/09/2008		2333223	12/08/2003
Monofunctional PSA	USA	Filed.	10/568043	12/08/2004				12/08/2003
Monofunctional PSA	Eur. Patent Office	Filed.	47680749	12/08/2004				
Maleimido-PSA	Switzerland	Granted.	4768054.1	12/08/2004	03/10/2007	Hreczuk-Hirst et al.	EP1654289	12/08/2003
Maleimido-PSA	Spain	Granted.	4768054.1	12/08/2004	03/10/2007		EP1654289	12/08/2003
Maleimido-PSA	France	Granted.	4768054.1	12/08/2004	03/10/2007		EP1654289	12/08/2003
Maleimido-PSA	Italy	Granted.	4768054.1	12/08/2004	03/10/2007		EP1654289	12/08/2003
Maleimido-PSA	Germany	Granted.	4768054.1	12/08/2004	03/10/2007		EP1654289	12/08/2003
Maleimido-PSA	United Kingdom	Granted.	4768054.1	12/08/2004	03/10/2007		EP1654289	12/08/2003
Maleimido-PSA	India	Allowed	903/DELNP/2006	12/08/2004				12/08/2003
Maleimido-PSA	Japan	Filed.	2006-523054	12/08/2004				12/08/2003
Maleimido-PSA	Korea (Republic of)	Filed.	2006-7002875	12/08/2004				12/08/2003
Maleimido-PSA	Russian							

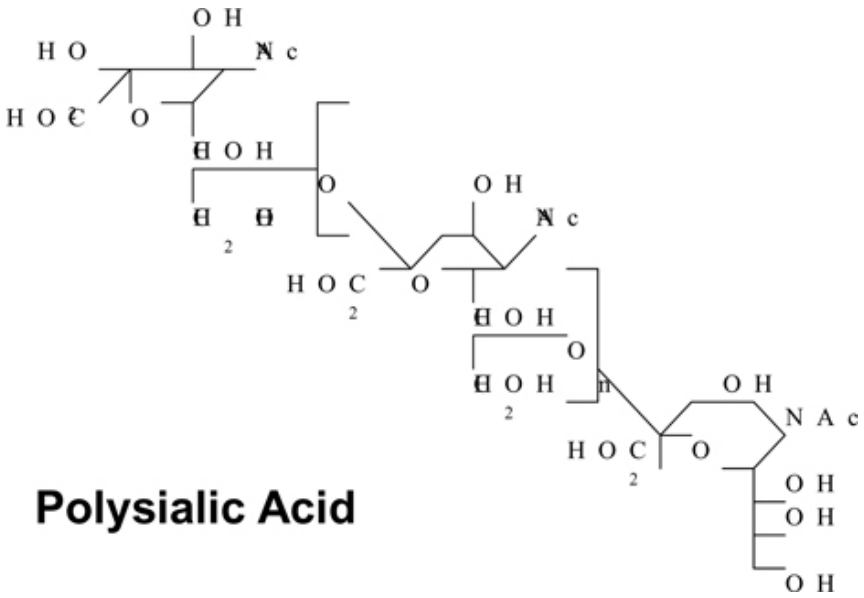
	Federation	Filed.	2006107545	12/08/2004		12/08/2003
Maleimido-PSA	USA	Filed.	10/568111	12/08/2004		12/08/2003
Maleimido-PSA Div	India	Filed.	812/DELNP/2009	12/08/2009		
NHS Functional PSA	China	Filed.	2.0068E+11	16/02/2006	Jain et al.	23/02/2005
NHS Functional PSA	European Patent Office	Filed.	6709777.4	16/02/2006		23/02/2005
NHS Functional PSA	India	Filed.	6400/DELNP/2007	16/02/2006		23/02/2005
NHS Functional PSA	Japan	Filed.	2007-555696	16/02/2006		23/02/2005
NHS Functional PSA	United States of America	Filed.	11/816823	16/02/2006		23/02/2005
NHS-Amino PSA Reactions	China	Filed.	2.0058E+11	12/08/2005	Jain et al.	12/08/2004
NHS-Amino PSA Reactions	European Patent Office	Filed.	5794259.1	12/08/2005		12/08/2004
NHS-Amino PSA Reactions	India	Filed.	1100/DELNP/2007	12/08/2005		12/08/2004
NHS-Amino PSA Reactions	Japan	Filed.	2007-525356	12/08/2005		12/08/2004
NHS-Amino PSA Reactions	United States of America	Filed.	11/660128	12/08/2005		12/08/2004
Fractionation	China	Filed.	2.0058E+11	12/08/2005	Jain et al.	12/08/2004
Fractionation	European Patent Office	Filed.	5794240.1	12/08/2005		12/08/2004
Fractionation	India	Filed.	1009/DELNP/2007	12/08/2005		12/08/2004
Fractionation	Japan	Filed.	2007-525353	12/08/2005		12/08/2004
Fractionation	United States of America	Filed.	11/660133	12/08/2005		12/08/2004

Patent Name	Country Of Filing	Case Status	Application No.	Application Date	Grant Date	Inventors	1st Priority	1st Priority	1st Priority
Fractionation	China	Filed.	2.0058E+11	12/08/2005		Jain et al.	GB	PCT/GB 04/03511	12/08/2004
Fractionation	Eur. Patent Office	Filed.	5794240.1	12/08/2005			GB	PCT/GB 04/03511	12/08/2004
Fractionation	India	Filed.	1009/DELNP/2007	12/08/2005			GB	PCT/GB 04/03511	12/08/2004
Fractionation	Japan	Filed.	2007-525353	12/08/2005			GB	PCT/GB 04/03511	12/08/2004
Fractionation	USA	Filed.	11/660133	12/08/2005		Jain et al.	GB	PCT/GB 04/03511	12/08/2004
Endotoxin Removal	PCT	Filed.	PCT/GB/2008/050138	28/02/2007		Jain et al.			28/02/2007

Patent Name	Country Of Filing	Case Status	Application No.	Application Date	Grant Date	Inventors	1st Priority Country	1st Priority Appln No.	1st Priority Date
N-terminal polysialylation	W.I.P.O.	Filed.	PCT/GB 07/02839	25/07/2007		Jain *et al.*	EP	06117830.7	25/07/2006
N-terminally-polysialylated GCSF	W.I.P.O.	Filed.	PCT/GB 07/02816	25/07/2007		Jain et al.	EP	06117830.7	25/07/2006
Polysialylation of EPO	W.I.P.O.	Filed.	PCT/GB 07/02841	25/07/2007		Jain et al.	EP	06117830.7	25/07/2006
Polysialylated Insulin	W.I.P.O.	Filed.	PCT/GB 07/02821	25/07/2007		Jain et al.	EP	06117830.7	25/07/2006

Schedule 7

PSA



Schedule 8

Target Date for Submission of CTA in Pharms Territory

PRODUCT	DATE FOR SUBMISSION OF CLINICAL TRIALS APPLICATION IN PHARMS TERRITORY
A	[***]
B	[***]
C	[***]
D	[***]
E	[***]
F	[***]

Schedule 9

Members of the Programme Committee

PHARMS

To be elected prior to committee meetings

LIPOXEN

To be elected prior to committee meetings

Schedule 10

Revenue Sharing

1. For the purposes of this Schedule 10, the following words shall have the following meaning:-

"Lipoxen Net Sales"	the amount received by Lipoxen, its Affiliates and or Licensees from third parties in respect of supplies of Lipoxen Products in arms length transactions (or the amount that would have been received if the transactions had been at arms length) less the following items provided they are shown in writing on the relevant invoice or in other documentary evidence: sales taxes, costs of delivery, customary trade discounts actually granted, amounts actually repaid or credited for defective or returned and, in the case of export orders, any import duties or similar applicable governmental levies and any government rebates charged on the purchase price of the Lipoxen Products;
"Joint Net Sales"	the amount received by Lipoxen and/or its Affiliates from third parties in respect of supplies of Joint Products in arms length transactions (or the amount that would have been received if the transactions had been at arms length) less the following items provided they are shown in writing on the relevant invoice or in other documentary evidence: sales taxes, costs of delivery, customary trade discounts actually granted, amounts actually repaid or credited for defective or returned and, in the case of export orders, any import duties or similar applicable governmental levies and any government rebates charged on the purchase price of the Joint Products;

"Joint Net Receipts"	all signing fees, milestones, royalties and other licence fees (excluding research and development fees) received by Lipoxen and/or its Affiliates from Licensees in relation to Joint Products, less any less any Value Added Tax or other sales tax and any direct and/or third party costs and/or expenses incurred by Lipoxen in procuring payment of such sums;
"Joint Product Revenue"	the Joint Net Sales and the Joint Net Receipts; and
"Pharms Net Sales"	the amount received by Pharms and/or its Affiliates from third parties in respect of supplies of the Products in arms length transactions (or the amount received if the transactions had been at arms length) less the following items provided they are shown in writing on the relevant invoice or in other documentary evidence: sales taxes, costs of delivery, customary trade discounts actually granted, amounts actually repaid or credited for defective or returned.

2. Pharms shall pay to Lipoxen a royalty of [***] of all Pharms Net Sales. The royalty payable to Lipoxen pursuant to this paragraph shall become due 30 (thirty) days after the expiry of the Quarter in which the Products to which the royalty relate were sold and/or supplied by Pharms.

3. Lipoxen shall pay to Pharms a royalty of [***] of all Lipoxen Net Sales. The royalty payable to Pharms pursuant to this paragraph shall become due 30 (thirty) days after the expiry of the Quarter in which the Lipoxen Products to which the royalty relate were sold and/or supplied by Lipoxen.

4. The parties agree that the Joint Product Revenue shall be shared equally by the parties. Pharms' half share of the Joint Product Revenue shall become due 30 (thirty) days after the expiry of the Quarter in which the relevant Joint Product Revenue was received by Lipoxen.

5. Lipoxen shall be entitled to deduct from the sums due to Pharms under paragraphs 3 and 4 above, any sums due and unpaid to Lipoxen pursuant to this Agreement.

Exhibit 10.21

DATED

(1) LIPOXEN PLC

(2) LIPOXEN TECHNOLOGIES LTD

- and -

(2) SERUM INSTITUTE OF INDIA LIMITED

Exclusive Patent
And Know How Licence and
Manufacturing Agreement

Lipoxen *SIIL*

THIS AGREEMENT is made the day of 2011

BETWEEN:

(1) Lipoxen Technologies Ltd, a Company registered under the laws of England whose registered office is at London Bioscience Innovation Centre, 2 Royal College St., London NW1 ONH, England ("Lipoxen Technologies");

(2) Lipoxen PLC, a company registered under the laws of England whose registered office is at London Bioscience Innovation Centre, 2 Royal College St., London NW1 ONH, England ("Lipoxen PLC"); and

(3) Serum Institute of India Limited, a Company incorporated under the Indian laws, having its principal place of business at S. No. 212/2, Off Soli Poonawalla Road, Hadapsar, Pune -411 028, Maharashtra, INDIA ("SIIL").

RECITALS:

(1) SIIL is engaged in the manufacture of pharmaceuticals and biotechnology products and has been and continues to be interested in acquiring technology from Lipoxen.

(2) Lipoxen PLC is a drug and vaccine development and delivery company and is dedicated to innovative methods for the optimal delivery of therapeutics in the treatment and prevention of disease. Lipoxen Technologies is a wholly owned subsidiary of Lipoxen PLC.

(3) Pursuant to the Licence Agreement (defined below), Lipoxen Technologies granted SIIL an exclusive licence to use Lipoxen's PolyXen Technology and ImuXen Technology in the SIIL Territory to develop and exploit certain products set out in the Licence Agreement.

(4) The parties entered into a Supplemental Agreement (defined below) pursuant to which the parties agreed a development programme and revenue sharing arrangement for certain of the products which were the subject of the Licence Agreement. Further amendments were made to the Licence Agreement pursuant to the Letter Amendments (defined below).

(5) SIIL has manufactured and supplied PSA (defined below) to Lipoxen pursuant to the Licence Agreement, the Supplemental Agreement and the Development and Manufacturing Agreement (defined below).

(6) The Parties now wish to amend and restate the terms of the arrangement between them pursuant to which SIIL will cease to have any rights in relation to the ImuXen Technology, will continue to have rights under the PolyXen Technology in relation only to PSA EPO.

(7) SIIL will continue to develop PSA EPO in the SIIL Territory (defined below), with Lipoxen having the right to develop and exploit PSA EPO in the Lipoxen Territory (defined below).

(8) SIIL will continue to manufacture and supply PSA, EPO and PSA EPO to and on behalf of Lipoxen and other Customers (defined below) and will transfer manufacturing know how as referred to in clause 19 of any or all of the Supply Products to Lipoxen and/or a Customer of Supply Products (defined below) in the circumstances described in this Agreement.

IT IS AGREED as follows:

1. Definitions

In this Agreement, the following words shall have the following meanings:

"Affiliate"	in relation to a Party, means any entity or person which controls, is controlled by, or is under common control with that Party. For the purposes of this definition, "control" shall mean direct or indirect beneficial ownership of 50% (or, outside a Party's home territory, such lesser percentage as is the maximum, permitted level of foreign investment) or more of the share capital, stock or other participating interest carrying the right to vote or to a distribution of profits of that entity or person, as the case may be;
"Allotment Date"	means the date falling seven Business Days following whichever is earlier of:- (a) the date upon which the Placing occurs; or (b) 30 December 2011;
"Appointed CRO"	means the CRO appointed by SIIL in accordance with clause 5.10 to carry out aspects of the Clinical Trials on behalf of SIIL and Lipoxen;
[***]	[***]
"Business Day"	means any day (other than a Saturday, Sunday or a public holiday in England or India) on which clearing banks in the City of London are open for the transaction of normal sterling banking business;
"CIS"	means the commonwealth of independent states comprising the following countries:- Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan;
"Clinical Trials"	means the *in vivo* testing, pre-clinical activities, Phase I clinical trials, Phase II clinical trials and Phase III clinical trials to be carried out by SIIL in relation to PSA EPO in Indication A, Indication B, Indication C, Indication D and/or Indication E pursuant to this Agreement;

"CMC Dossier"	means the technical information required by the relevant regulatory authority in relation to the chemistry, manufacturing and controls of PSA EPO for commencement of a Lipoxen Trial;
"Commencement Date"	means the Commencement Date of the Licence Agreement, being 16 December 2004;
"Completion"	means completion by SIIL of a successful Phase II clinical trial in relation to a Successful PSA EPO Product that complies with all FDA and EMEA requirements relating to Phase II clinical trials;
"Confidential Information"	means any and all data, results, know-how, show-how, software, algorithms, trade secrets, plans, forecasts, analyses, evaluations, research, technical information, business information, financial information, business plans, strategies, customer lists, marketing plans, or other information whether oral, in writing, in electronic form or in any other form, and any physical items, compounds, components or other materials disclosed before, on or after the date of this Agreement by one Party (or its Affiliates) to the other Party (or its Affiliates) including, but not limited to, the Lipoxen Know How;
"Consideration Shares"	means the Consideration Shares as defined in Schedule 7 of this Agreement;
"Control"	(along with derivative forms of the word, as applicable, such as "Controlled" and "Controlling") means the ability to grant a licence or sub-licence without breaching the terms of any agreement with any third party;
"CRO"	means a contract research organisation;
"Customer"	means Lipoxen and/or a third party entitled to place Orders with SIIL for Supply Products by virtue of having a licence from Lipoxen as described in clause 14.3 of this Agreement;
[***]	[***]
"Development Programme"	means the detailed programme for the Clinical Trials set out in Schedule 1 of this Agreement, as modified from time to time in accordance with the terms of this Agreement;
"DMA"	means the Development and Manufacturing Agreement dated 2 August 2006 between Lipoxen PLC and SIIL;

“Effective Date”	means the date of this Agreement;
“EEA”	means countries which are from time to time signatories to the Agreement on the European Economic Area, including, but not limited to, the member states from time to time of the European Community;
“EMEA”	means the European Medicines Agency (formerly known as the European Agency for the Evaluation of Medicinal Products) and/or any successor to it;
“EPO”	means EPO as specified in the European Pharmacopoiea under Erythropoietin concentrated solution (01/2002:1316) and shall exclude, for the avoidance of doubt, Non-glycosylated EPO;
“FDA”	means the US Food and Drug Administration and/or any successor to it;
“Field”	means pharmaceutical preparations for the treatment in humans of Indication A and/or Indication B and/or Indication C and/or Indication D and/or Indication E, by subcutaneous and/or intra venous administration, containing PSA EPO as their active ingredient;
“Foreground”	means all Intellectual Property Rights arising from or in relation to the activities carried out by SIIL and/or Lipoxen from the Effective Date in relation to this Agreement, including any and all Intellectual Property Rights:- (a) created by SIIL and/or Lipoxen from the Effective Date relating to PSA EPO; and/or (b) relating to any Results, including data from the Clinical Trials; but excluding the PSA Foreground, the Lipoxen Regulatory Material and the results of and data arising from the Lipoxen Trials;
“GCP”	means all applicable laws and regulations, codes and guidelines relating to good clinical practice including:- (i) good clinical practice pursuant to Directive 2001/20/EEC and Directive 2005/28/EEC and all applicable implementing and/or amending legislation and guidelines; (ii) the regulations established by EMEA and the FDA relating to the standard of practice that is acceptable in the conduct of clinical studies; (iii) the current version of the Declaration of Helsinki in force; and (iv) the current International Conference on Harmonisation Guidelines for Good Clinical Practice in force;

"German SPA"	means the conditional agreement to be entered into by Lipoxen PLC and the vendors in relation to the acquisition of the entire issued share capital of Symbiotec GmbH on or around the date of this Agreement;
"GMP"	means current Good Manufacturing Practice as:- (a) promoted by current International Conference on Harmonisation (ICH) guidance documents, including the ICH Guidance Q7A Good Manufacturing Practice Guide for Active Pharmaceutical Ingredients; and (b) defined by US and European legislation relating to good manufacturing practice (including Directive 2003/94/EC) and regulations issued from time to time by regulatory authorities, including EMEA and FDA;
"Indication A"	means anaemia resulting from chronic renal failure;
"Indication B"	means anaemia occurring in cancer patient's receiving chemotherapy;
"Indication C"	means anaemia in zidovedine treated HIV infected patients;
"Indication D"	means the reduction of allergenic blood transfusion in surgical and perisurgical patients;
"Indication E"	means pre-treatment of patients predicted to suffer anemia as a consequence of elective surgery with an expected moderate blood loss;
"Infringer"	a third party that uses any of the PolyXen Patents and/or PolyXen Know How in the SIIL Territory in the Field;
"Infringement"	any infringement of any of the PolyXen Patents and/or PolyXen Know How by an Infringer;
"Infringement Claim"	any allegation or claim that any of the Licensed Products infringe the Intellectual Property Rights of a third party;
"Intellectual Property Rights"	means all patents, copyrights, design rights, trade marks, service marks, inventions, supplementary protection certificates, design rights, trade secrets, data, know-how, database rights and other rights in the nature of intellectual property rights (whether registered or unregistered) and all applications for the same, anywhere in the world;
"Joint Foreground"	means the Foreground that is jointly owned by the parties pursuant to clause 8.4;
"Letter Amendments"	means the amendments to the Licence Agreement contained in the following letters signed by Lipoxen Technologies and SIIL:- (a) letter dated 23 May 2007, headed "May 2007 Amendment of Field A"; and (b) letter dated 23 May 2007 headed "May 2007 New Product Amendment to License Agreement";

"Licence Agreement"	means the Exclusive Patent and Know How Licence Agreement dated 16th December 2004 between Lipoxen Technologies and SIIL, as subsequently amended by the Supplemental Agreement and the Letter Amendments;
"Licensed Products"	any and all products that are manufactured, sold or supplied by SIIL which:- (a) incorporate or make use of any of the PolyXen Technology; and/or (b) which are made with PSA which incorporates or makes use of any of the PSA Technology;
"Licensed Rights"	means the PolyXen Patents, the PolyXen Know How, the PSA Patents and the PSA Know How;
"Lipoxen Know How"	means the PolyXen Know How and the PSA Know How;
"Lipoxen Patents"	means the PSA Patents and the PolyXen Patents;
"Lipoxen Products"	means PSA EPO which incorporates or makes use of any of the SIIL Background IP ;
"Lipoxen Regulatory Material"	means the CMC Dossier and any other data package or information compiled by or on behalf of Lipoxen and/or a Sub-licensee in relation to any regulatory applications or submissions made or to be made by Lipoxen and/or its Sub-licensee to a regulatory authority or body;
"Lipoxen Technology"	means the PolyXen Technology and the PSA Technology;
"Lipoxen Territory"	means :- (a) the United States of America, the EEA, Switzerland, Japan, New Zealand, Australia, Canada, Israel, the CIS and South Korea; and (b) any other country which is added to the Lipoxen Territory pursuant to clause 4.10 of this Agreement; as amended in accordance with clause 6.5 if applicable;

"Lipoxen Trials"	means any clinical trial(s) to be conducted by or on behalf of Lipoxen and/or a Sub-licensee in relation to PSA EPO in the Lipoxen Territory after the Effective Date;
"Master Cell Bank"	a validated cell bank, prepared and characterised under GMP and accompanied by GMP documentation, that enables SIIL and/or a third party to manufacture: (a) EPO; and (b) PSA;
[***]	[***] [***] [***] [***] [***] [***]
"Net Revenues"	means any and all sums received by Lipoxen and/or its Affiliates from its Sub-licensees in respect of sub-licences of SIIL Background IP including, but not limited to sales royalties, milestones and licence fees, less any costs or expenses incurred by Lipoxen in obtaining payment of such sums and excluding any:- (a) fees received in respect of services supplied by Lipoxen; and (b) value added tax or other sales tax on such sums;
"Net Royalty Revenue"	means any and all royalties on sales received by Lipoxen and/or its Affiliates from its Sub-licensees in respect of sub-licences of SIIL Background IP, which shall for the avoidance of doubt not include any licence fees or milestone payments, less any costs or expenses incurred by Lipoxen in obtaining payment of such sums and excluding any:- (a) fees received in respect of services supplied by Lipoxen; and (b) value added tax or other sales tax on such sums;
"Net Sales Value"	means the invoiced price of products sold or supplied in arm's length transactions or, where the sale is not at arm's length, the price that would have been so invoiced if it had been at arm's length, less the following items as indicated on the relevant invoice: trade discounts actually granted, costs of packaging, insurance, carriage and freight, any value added tax or other sales tax and any import duties or similar applicable government levies;

"Non-glycosylated EPO"	means any form of EPO which is not glycosylated which, as at the Effective Date, includes any EPO which is produced by a non-mammalian cell line;
"Order"	means an order for Supply Products placed by a Customer;
"Parties or parties"	means Lipoxen PLC, Lipoxen Technologies Limited and SIIL, and "Party or party" shall mean any of them;
"Placing"	means the issue of 110,800,000 0.5p ordinary shares in the capital of Lipoxen PLC to SynBio LLC, Russia pursuant to a subscription agreement between Lipoxen and SynBio LLC dated on around 3 August 2011;
[***]	[***] [***] [***] [***] [***] [***]
[***]	[***] [***] [***] [***] [***]
"PolyXen Improvements"	means any invention, discovery or information relating to the PolyXen Technology created after the Effective Date during the term of the licence granted under clause 4.1 which has utility in PSA EPO and which is Controlled by Lipoxen but which, for the avoidance of doubt, shall exclude the results of and data arising from the Lipoxen Trials, the Lipoxen Regulatory Material and the PSA Improvements;
"PolyXen Know How"	means the know how Controlled by Lipoxen at the Effective Date relating to the technology disclosed in the PolyXen Patents but excluding, for the avoidance of doubt, the PSA Know How;

"PolyXen Licence"	means the licence to use the PolyXen Technology granted under clause 4.1 of this Agreement;
"PolyXen Patents"	means:- (a) the patents and patent applications set out in Schedule 2 of this Agreement; and (b) any patent and/or patent application Controlled by Lipoxen relating to the PolyXen Improvements; including any continuations, continuations in part, extensions, reissues, divisions, and any patents, foreign counterparts, supplementary protection certificates and similar rights that are based on or derive priority from the foregoing;
"PolyXen Technology"	means the multifaceted platform technology that employs PSA to prolong the active life and improve the pharmacokinetics of proteins, peptides, conventional drugs and drug delivery systems that is described in the PolyXen Patents;
"Production Facility"	means SIIL's production facilities at Pune;
"Product Specification"	means the specifications for each of the Supply Products set out in the Serum EPO Specification, the PSA Specification and the PSA EPO Specification;
[***]	[***]
"PSA Cell Line"	means the cell line used by Lipoxen to manufacture PSA, a sample of which has been provided to SIIL pursuant to the Licence Agreement;
"PSA EPO"	means a conjugate of PSA and Serum EPO (both as defined in this Agreement) forming a mono-PSA EPO conjugate as described in Schedule 4 of this Agreement;
"PSA EPO Specification"	means the specification for PSA EPO set out in Schedule 5 of this Agreement;
"PSA Foreground"	means any and all Intellectual Property Rights created by SIIL pursuant to this Agreement or otherwise from the Effective Date relating to the PSA Manufacturing Process;

"PSA Improvements"	means any invention, discovery or information relating to the PSA Technology created after the Effective Date during the term of this Agreement which is Controlled by Lipoxen and which is necessary to:- (a) enable SIIL to exploit the licence granted under clause 4.1; and/or (b) enable SIIL to supply PSA to a licensee of the PolyXen Technology with which SIIL has agreed the price and other supply terms upon which it will manufacture and supply PSA on behalf of the relevant licensee;
"PSA Know How"	means the know-how Controlled by Lipoxen at the Effective Date relating to the PSA Manufacturing Process, which shall include the PSA Cell Line;
[***]	[***] [***] [***] ~~(c)~~ [***]
"PSA Patents"	means:- (a) the patents and patent applications set out in Schedule 6 of this Agreement; and (b) any patent and/or patent applications Controlled by Lipoxen relating to the PSA Improvements; including any continuations, continuations in part, extensions, reissues, divisions, and any patents, foreign counterparts, supplementary protection certificates and similar rights that are based on or derive priority from the foregoing;
"PSA Specifications"	means the specifications for PSA set out in Schedule 25 of this Agreement;
"PSA Technology"	means the technology developed by Lipoxen relating to the PSA Manufacturing Process, including the technology described in the PSA Patents;
"Quarter"	means the quarterly periods ending 31 March, 30 June, 30 September and 31 December;

"Results"	means the results of, and data arising from:- (a) any research and development relating to the Lipoxen Technology carried out by or on behalf of SIIL; and (b) any and all pre-clinical and clinical trials carried out by or on behalf of SIIL in relation to the Licensed Products, including the Clinical Trials;
"Serum Cell Line"	means the cell line used by SIIL prior to and after the Effective Date to produce EPO for use in the Clinical Trials, further details of which are set out in Schedule 8 of this Agreement;
"Serum EPO"	means the form of EPO manufactured and/or used by SIIL prior to and during the term of this Agreement which has the Serum EPO Specification and which is made using the Serum Cell Line;
"Serum EPO Specification"	means the specification for Serum EPO set out in Schedule 9;
"Services"	means the services relating to the Clinical Trials to be carried out by SIIL on behalf of Lipoxen pursuant to this Agreement;
"SIIL Background IP"	means any and all Intellectual Property Rights which, prior to the Effective Date or during the term of this Agreement, are owned by SIIL and/or licensed to SIIL by a third party other than Lipoxen and which are reasonably required to enable Lipoxen and/or its Sub-licensees to develop, manufacture, use, sell, supply and otherwise exploit PSA EPO, which includes (to the extent they do not form part of the Joint Foreground), but is not limited to, any and all Intellectual Property Rights relating to:- [***] [***] [***] [***] [***]
"SIIL Foreground"	means the Foreground owned by SIIL pursuant to clauses 8.1 and 8.2 of this Agreement;
"SIIL Licence"	means the licence granted by SIIL pursuant to clause 7.1 of the Agreement;

[***]	[***] [***] ~~(b)~~ [***]
[***]	[***]
"Sub-licensees"	means parties to which Lipoxen has granted a licence of PolyXen Technology and a sub-licence of the SIIL Background IP to directly manufacture and sell PSA EPO anywhere in the Lipoxen Territory or worldwide subject to terms of this agreement;
"Subscription Shares"	means the Subscription Shares as defined in Schedule 7 of this Agreement;
"Successful PSA EPO Product"	means a Lipoxen Product for which the Clinical Trials have been successfully completed by SIIL in accordance with EMEA and FDA regulatory requirements up to and including phase II clinical trials and in relation to which Lipoxen and/or its Sub-licensee is able to commence Phase IIb and/or Phase III Clinical Trials in a country regulated by EMEA and/or FDA without conducting any further pre-clinical or clinical trials;
"Supplemental Agreement"	means the Supplemental and Amendment Agreement to the Exclusive Patent and Know How Licence Agreement dated 6 October 2005 between Lipoxen Technologies and SIIL;
"Supply Products"	means:- (a) PSA and its derivative, including Monodisperse PSA, Polydisperse PSA and the other forms of PSA described in the PSA Specification;

(b) Serum EPO as specified in the Serum EPO Specification; and

(c) PSA EPO as specified in the PSA EPO Specification.

"Tender Business"	means contracts entered into with sovereign agencies and/or charitable organisations;
"Timetable"	means the timetable for the provision of the Services as set out in Schedule 10 of this Agreement; and
"Valid Claim"	means a claim of a patent or patent application that has not expired or been held invalid or unenforceable by a decision of a patent office or court of competent jurisdiction, which decision:-

(a) it is not possible to appeal; or

(b) is not the subject of an appeal within the prescribed time limits.

2. Status of this Agreement

2.1 As of the Effective Date, the Licence Agreement, the Letter Amendments, the Supplemental Agreement and the DMA shall expire with immediate effect and shall be replaced in their entirety by the terms of this Agreement. Other than as expressly set out in this Agreement and subject to clause 2.4.1 of this Agreement, any clauses which are stated in the Licence Agreement, the Letter Amendments, the Supplemental Agreement (other than clauses 9 and 13 of the Supplemental Agreement) and the DMA to survive termination and/or expiry shall survive.

2.2 From the Effective Date, the terms of this Agreement shall govern the activities and performance of the parties relating to the subject matter of the Licence Agreement, the Supplemental Agreement, the Letter Amendments and the DMA.

2.3 Unless expressly stated otherwise in this Agreement, the terms of the Licence Agreement, the Supplemental Agreement, the Letter Amendments and the DMA shall continue to govern the relationship between the parties prior to the Effective Date but:-

2.3.1 the terms of this Agreement shall prevail to the extent that the there is any conflict between the terms of this Agreement and the terms of:- (a) the Licence Agreement, (b) the Supplemental Agreement, (c) the Letter Amendments and/or (d) the DMA;

2.3.2 with effect from the Commencement Date of the Licence Agreement, any and all:- (a) Foreground (as defined by the Licence Agreement) relating to PSA EPO; and (b) Services Foreground (as defined in the Supplemental Agreement) relating to PSA EPO, shall be deemed to be Foreground under this Agreement, the ownership, protection and use of which shall be governed by clause 8 of this Agreement;

2.3.3 with effect from the Commencement Date of the Licence Agreement, the effective date of the Supplemental Agreement and the effective date of the DMA, the "Law and Jurisdiction" clauses of each respective Agreement shall be deemed to be replaced by the provisions of clause 22.13 of this Agreement, provided that in the Supplemental Agreement, the Law and Jurisdiction clause shall remain subject to clause 6.12 of the Supplemental Agreement; and

2.3.4 the parties agree that in relation to any Intellectual Property Rights which are jointly owned by SIIL and Lipoxen PLC / Lipoxen Technologies pursuant to clause 3.5 of the DMA, with effect from the effective date of the DMA:-

2.3.4.1 such Intellectual Property Rights shall be deemed to be PSA Foreground pursuant to this Agreement; and

2.3.4.2 Clauses 3.6 and 3.7 of the DMA shall no longer apply to such Intellectual Property Rights, the use and exploitation of which shall be governed by clauses 14.25 and 14.30 of this Agreement.

2.4 Each Party hereby waives any and all rights arising prior to the Effective Date which it alleges it may have to any kind of payment of fees, royalties, payments for products supplied or other liquidated sums from the other party under the Licence Agreement, the Supplemental Agreement, the Letter Amendments and/or the DMA.

2.5 SIIL hereby waives any and all rights which it alleges it may have in or to the invention (and any Intellectual Property Rights relating thereto, including any patent applications and patents relating to the invention) which is the subject of the Lipoxen Technologies patent application entitled "Reduction of Endotoxin in Polysialic Acids" with PCT application number: PCT/GB2008/050138 (the "Endotoxin Patent"), provided that Lipoxen Technologies hereby:-

2.5.1 grants to SIIL a perpetual, non-exclusive, royalty–free, world-wide licence (without the right to grant sub-licences) to use the Endotoxin Patent to manufacture PSA:-

2.5.1.1 for use in the development and exploitation of products in the Field by SIIL; and/or

2.5.1.2 for supply to Customers;

2.5.2 agrees that it shall not during the term of this Agreement or thereafter enforce the Endotoxin Patent against SIIL in the SIIL Territory in relation to any process used by SIIL to reduce the endotoxin content of a sample containing PSA and endotoxin where the PSA is a naturally occurring part of a product which has not been added to the product by conjugation, genetic engineering or otherwise for the purposes of achieving, directly or indirectly, any or all of the objectives of the PolyXen Technology.

2.6 Other than as set out in clauses 2.5 and 2.6 of this Agreement, all rights and remedies of the Parties arising under any breach of the Licence Agreement, the Supplemental Agreement and/or the DMA shall continue to be enforceable and none of the Parties hereby waives any such rights or remedies.

3. Surrender of Licences for Products other than PSA EPO , Grant of Shares and Nomination of a person on the Board of Lipoxen PLC

3.1 Pursuant to the Licence Agreement, the Letter and Amendments and Supplemental Agreement, SIIL was granted an exclusive licence from Lipoxen Technologies to use the Lipoxen Technology for the development and commercialisation of certain products.

3.2 For the avoidance of doubt, from the Effective Date SIIL has agreed to surrender all rights under the PolyXen Technology and the ImuXen Technology (as defined in the Licence Agreement) to and in relation to products, including those listed in Schedule 11 of this Agreement, other than rights under the PolyXen Technology relating to PSA EPO.

3.3 From the Effective Date:-

3.3.1 any and all rights of SIIL to use the PolyXen Technology, the PolyXen Patents and the PolyXen Know How, other than as set out in clause 4.1 of this Agreement, shall immediately cease; and

3.3.2 SIIL shall immediately cease any research, development, use, sale and/or supply of the products listed in Schedule 11 of this Agreement.

3.4 From the Effective Date, any and all rights of SIIL to use the ImuXen Technology, the ImuXen Patents and the ImuXen Know How (each as defined in the Licence Agreement) in relation to any and all products, anywhere in the world, shall immediately cease.

3.5 Lipoxen PLC and SIIL agree that they will each comply with their respective obligations set out in Schedule 7 of this Agreement relating to the grant of shares in Lipoxen PLC to SIIL.

3.6 Subject to the articles of association of Lipoxen PLC and any applicable law and/or regulation, Lipoxen PLC agrees that from the date upon which the Consideration Shares are issued and allotted to SIIL in accordance with paragraph 2 of Schedule 7 of this Agreement, for so long as SIIL holds on its own or along with its Affiliates at least [***] of the paid-up share capital of Lipoxen PLC, SIIL shall be entitled to nominate a non-executive Director to the Board of Directors of Lipoxen PLC who shall be suitable and capable of carrying out the role of a non-executive director of a UK listed company. In connection with the appointment SIIL acknowledges that the business and affairs of Lipoxen PLC shall be managed by its board of directions in accordance with all applicable laws and regulation and for the benefit of the shareholders of Lipoxen PLC as a whole and at all times independently of SIIL and its Affiliates.

3.7 Prior to the Allotment Date, SIIL agrees that it shall provide to Lipoxen Technologies any and all data and information in SIIL's possession and/or control relating to the

products listed in Schedule 11 of this Agreement, including any and all data generated by and/or on behalf of SIIL from pre-clinical studies (including in-vitro assays and tests, in-vivo animal studies and toxicity studies) and clinical trials.

3.8 SIIL warrants and undertakes that:-

3.8.1 Schedule 26 sets out a complete list of any and all Affiliates of SIIL as at the Effective Date;

3.8.2 as at the Allotment Date, SIIL is a body corporate with less than twenty (20) members which falls within the scope of Articles 49(2)(a)(ii) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and SIIL is acquiring the Subscription Shares and the Consideration Shares for investment only and not for resale or distribution; and

3.8.3 as at the Allotment Date, SIIL is not resident in the United States, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia or in any other territory in which it is unlawful to subscribe for the Subscription Shares and/or the Consideration Shares and it will not after the Allotment Date offer, sell or deliver directly or indirectly any of the Subscription Shares and/or the Consideration Shares in the United States, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia or to or for the benefit of any persons who are resident or to any person purchasing such shares for re-offer or sale or transfer in such jurisdictions otherwise than in accordance with relevant securities laws.

4. PSA EPO - PolyXen Licence

4.1 From the Effective Date and for the term of this Agreement, Lipoxen hereby grants to SIIL, subject to the provisions of this Agreement, an exclusive licence to use the PolyXen Patents and the PolyXen Know How in the SIIL Territory to research, develop, manufacture, have manufactured, use, sell, supply and otherwise exploit products in the Field.

4.2 The licence granted pursuant to clause 4.1 shall expire on a country by country basis on the later of the following dates:

4.2.1 the date upon which no Valid Claim of the PolyXen Patents exists in the country in question; or

4.2.2 ten (10) years from the date a Licensed Product was first put on the market in the country concerned;

and thereafter, on a country by country basis (if applicable) the PolyXen Licence shall be fully paid. For avoidance of doubt, once the PolyXen Licence is fully paid, SIIL shall be entitled to use the PolyXen Know How to manufacture, distribute and sell PSA EPO without making any additional payment to Lipoxen Technologies and/or Lipoxen PLC.

Sub-licensing

4.3 SIIL shall not be entitled to sub-licence, sub-contract and/or otherwise transfer its rights under the PolyXen Licence to any person.

No other licence

4.4 It is acknowledged and agreed that other than as set out in clause 14.17, no licence is granted by Lipoxen Technologies and/or Lipoxen PLC to SIIL other than the licence expressly granted by the provisions of this clause 4. Without prejudice to the generality of the foregoing, Lipoxen Technologies reserves all rights under the PolyXen Patents and the PolyXen Know How:-

4.4.1 outside of the Field in the SIIL Territory and Lipoxen Territory; and

4.4.2 in all fields outside the SIIL Territory.

Quality

4.5 SIIL shall ensure that all of the Licensed Products supplied by it are of satisfactory quality and comply with all applicable laws and regulations in each part of the SIIL Territory.

Transfer of the PolyXen Technology

4.6 Subject to clause 4.9, SIIL acknowledges that prior to the Effective Date Lipoxen Technologies has supplied SIIL with all PolyXen Know How existing at the Effective Date which is reasonably necessary to enable SIIL to exercise its rights under this Agreement.

Responsibility for development and exploitation of the PolyXen Technology

4.7 SIIL shall be exclusively responsible for the technical and commercial development and exploitation of the PolyXen Technology in the SIIL Territory in the Field and accordingly SIIL shall indemnify Lipoxen Technologies in the terms of clause 17.5.

PolyXen Improvements

4.8 Lipoxen Technologies shall grant to SIIL, during the term of the licence granted under clause 4.1 of this Agreement and subject to the terms of clause 4.3 of this Agreement, a non-exclusive licence in the SIIL Territory to use any PolyXen Improvements, including any Intellectual Property Rights Controlled by Lipoxen Technologies and Lipoxen PLC relating to the PolyXen Improvements, to research, develop, manufacture and sell products within the Field.

4.9 SIIL may, from time to time, but no more than once in each Calendar year during the term of this Agreement, ask Lipoxen Technologies to provide SIIL with a written report detailing any PolyXen Improvements made or acquired by Lipoxen Technologies during

the period since Lipoxen Technologies last sent a report pursuant to this clause. Each report shall contain sufficient details of the PolyXen Improvements to enable SIIL to understand the PolyXen Improvements.

Serum Territory

4.10 The Parties agree that if any country within the Serum Territory adopts a regulatory regime which is equivalent to the regimes of the FDA and/or EMEA, the relevant country shall automatically become a part of the Lipoxen Territory if:-

4.10.1 SIIL is not selling PSA EPO in the relevant country at the time of the adoption of the regulatory regime; or

4.10.2 if SIIL is at the time of the adoption of the regulatory regime selling PSA EPO in the relevant country but thereafter ceases selling PSA EPO in the relevant country as a result of the adoption of the FDA/EMEA style regime in the relevant country.

4.11 The Parties agree that a country shall not become part of the Lipoxen Territory pursuant to clause 4.10.2 until such time that SIIL is obliged to cease selling PSA EPO in the relevant country and the country shall remain part of the SIIL Territory for the duration of any transitional period during which SIIL is allowed to continue to sell PSA EPO in the relevant country despite the adoption of the FDA/EMEA style regime.

4.12 The Parties agree that if a country becomes part of the Lipoxen Territory pursuant to clause 4.10 they will promptly execute a confirmatory document recording the change to the definition of the Lipoxen Territory. For the avoidance of doubt, any delay to the execution of the confirmatory document shall not delay the effect of clause 4.10 which shall become effective pursuant to clause 4.10.1 as soon as the regime is adopted and pursuant to clause 4.10.2 on the date SIIL ceases selling PSA EPO in the relevant country.

5. Diligence and Development Programme for PSA EPO

Diligence Obligations

5.1 SIIL shall diligently proceed to develop and commercially exploit PSA EPO in the Field to the maximum extent in the SIIL Territory.

5.2 Without prejudice to the generality of SIIL's obligations under clause 5.1, SIIL shall use its best endeavours to meet the milestones set out in Schedule 12 at the times set out in Schedule 12.

5.3 Without prejudice to Lipoxen's rights pursuant to clauses 20.2 to 20.6, if any of the Milestones set out in Schedule 12 of this Agreement are delayed in relation to:-

5.3.1 Indication A by more than three months, and such delay is not a result of a force majeure event that falls within the scope of clause 22.1 of this Agreement, Lipoxen Technologies shall have the right to serve written notice on SIIL

requiring SIIL to remedy the delay within thirty (30) days. If SIIL does not remedy the delay within the thirty (30) day period Lipoxen Technologies shall be entitled by service of written notice on SIIL to change with immediate effect the PolyXen Licence in relation to Indication A from an exclusive to a non-exclusive licence and thereafter Lipoxen shall be entitled itself or to grant third parties the non-exclusive right to research, develop, manufacture, use, sell and/or supply PSA EPO for use in Indication A in the SIIL Territory; and/or

5.3.2 Indication B, Indication C, Indication D and/or Indication E by more than three months, and such delay is not a result of a force majeure event that falls within the scope of clause 22.1 of this Agreement, Lipoxen Technologies shall have the right to serve written notice on SIIL requiring SIIL to remedy the delay within thirty (30) days. If SIIL does not remedy the delay within the thirty (30) day period Lipoxen Technologies shall be entitled by service of written notice on SIIL terminating this Agreement in relation only to the indication to which the delay relates and the consequences set out in clause 21.1.3 to 21.1.6 shall apply in relation to the indication for which this Agreement has been terminated.

Manufacture of PSA EPO

5.4 SIIL shall at its own cost and expense, develop a manufacturing process and facility that enables SIIL to manufacture PSA EPO meeting the PSA EPO Specification on a commercial scale in accordance with GMP.

5.5 SIIL warrants that it shall at all times comply with all relevant laws regulations, codes of practice, principles and guidelines applicable in SIIL Territory to the manufacturing of PSA EPO, including but not limited to GMP and all relevant regulatory requirements relating to the manufacture of biological medicines. Prior to commencing any pre-clinical trials in relation to PSA EPO, SIIL shall provide evidence to Lipoxen Technologies that it has complied with this clause 5.5.

Clinical Trials - General

5.6 SIIL shall be responsible for conducting at its own cost all pre-clinical and clinical trials which are required to register or obtain marketing authorisations for Licensed Products in the SIIL Territory.

5.7 SIIL shall consult with Lipoxen Technologies in respect of the design of any protocols for clinical trials to be conducted in relation to any Licensed Products. SIIL shall comply with any reasonable proposals made by Lipoxen Technologies in relation to the design of such protocols.

5.8 SIIL shall promptly supply the Results to Lipoxen Technologies in writing. To the extent the Results are not owned by Lipoxen Technologies pursuant to clause 8.3, SIIL grants Lipoxen Technologies a royalty-free, perpetual, exclusive licence (with the right to grant sub-licences) to use the Results in the Lipoxen Territory for regulatory applications, filings and other regulatory purposes. The licence granted under this clause 5.8 shall not enable Lipoxen Technologies (or its sub-licensees) to manufacture Lipoxen Products using SIIL Background IP, which right is set out in clause 7.1 of this Agreement.

5.9 SIIL shall be responsible for:-

5.9.1 obtaining all registrations and approvals from regulatory authorities in the SIIL Territory required in relation to Licensed Products in the SIIL Territory;

5.9.2 complying with all laws and regulations that apply to the Licensed Products in the SIIL Territory; and

5.9.3 the manufacture of all Licensed Products under the GMP and GLP standards that apply in the countries in the SIIL Territory in which Licensed Products are to be sold.

Clinical Trials – the Development Programme

5.10 SIIL shall, at its own cost and expense, carry out *in vivo* testing, pre-clinical activities (including toxicity studies), Phase I clinical trials, Phase II clinical trials and the Phase III clinical trials in India in relation to PSA EPO in Indication A in accordance with the Timetable, the Development Programme and the PSA EPO Specification. SIIL shall carry out the Clinical Trials through a CRO subject to and in accordance with this clause 5. SIIL shall be responsible for all costs and expenses for conducting the Clinical Trials upto and including Phase III, including the costs and expenses of the CRO.

5.11 SIIL shall at its own cost and expense, at its premises, manufacture sufficient quantities of PSA EPO meeting the PSA EPO Specification for use in the Clinical Trials, at all times in accordance with the Timetable and the Development Programme.

5.12 Prior to commencing the Clinical Trials, SIIL shall demonstrate to the satisfaction of Lipoxen that it is able to manufacture samples of PSA EPO meeting the PSA EPO Specification in accordance with GMP

5.13 SIIL shall keep Lipoxen Technologies fully informed of all decisions it makes and all plans it has to conduct the Clinical Trials. SIIL shall:-

5.13.1 comply with all instructions provided by Lipoxen Technologies in relation to conduct of the Clinical Trials which are reasonably required to ensure that the Clinical Trials are conducted in accordance with all applicable US and European Union laws, regulations, codes of practice, principles and guidelines, including EMEA and FDA requirements, wherever applicable; and

5.13.2 ensure that the Appointed CRO designs and conducts the Clinical Trials in accordance with all applicable US and European Union laws, regulations, codes of practice, principles and guidelines, including EMEA and FDA requirements.

5.14 SIIL shall enter into a written agreement with the Appointed CRO which shall contain all the terms normally found in such an agreement and which shall:-

5.14.1 provide that all Intellectual Property Rights generated pursuant to the Clinical Trials shall be owned either by Lipoxen Technologies and/or SIIL in accordance with the terms of this Agreement;

5.14.2 enable SIIL to comply with its obligations under this Agreement;

5.14.3 be capable of assignment to Lipoxen Technologies, without the prior consent of the Appointed CRO, if this Agreement expires or is terminated by either Party.

5.15 SIIL undertakes to the best of its abilities that:-

5.15.1 the conduct of the Clinical Trials for PSA EPO shall at all times comply with all the advice and instructions received from Lipoxen Technologies;

5.15.2 all relevant data obtained from the Clinical Trials shall be made available to Lipoxen Technologies for the purposes of conducting further clinical trials and/or seeking marketing authorisations in the European Union and the US; and

5.15.3 it will not knowingly conduct, or permit the Appointed CRO to conduct, a Clinical Trial in a manner that is inconsistent with applicable US and European Union laws, regulations, codes of practice, principles and guidelines, including EMEA and FDA requirements.

5.16 SIIL shall procure that the Appointed CRO and any other third party engaged by SIIL in the course of the provision of Services shall be under obligations equivalent to those contained in clause 5.15, provided that the ultimate responsibility and liability for compliance under clause 5.15 shall remain with SIIL.

5.17 SIIL shall obtain Lipoxen Technologies prior written approval of any and all protocols to be used in the Clinical Trials and shall comply with all reasonable instructions of Lipoxen Technologies in relation to such protocols.

5.18 SIIL shall perform the Services:-

5.18.1 in accordance with the Development Programme stated in Schedule 1 of this Agreement ;

5.18.2 to the best of its ability in a professional manner consistent with industry standards;

5.18.3 in accordance with the standard of care customarily observed with regard to such services;

5.18.4 in a timely manner and in accordance with the Timetable;

5.18.5 in accordance with all reasonable instructions received from Lipoxen Technologies;

5.18.6 in compliance with all applicable laws, rules and regulations, including without limitation, where applicable, GMP, current good laboratory practices and GCP.

5.19 SIIL shall be responsible for all risks and liability arising from or in relation to the Clinical Trials and shall maintain appropriate insurance to cover any such liability. SIIL shall, if requested to do so by Lipoxen Technologies, provide evidence to Lipoxen Technologies that it has complied with the terms of this clause 5.19 and shall indemnify Lipoxen Technologies in accordance with clause 17.6.

6. Lipoxen Territory

6.1 It is the intention of the Parties that Lipoxen shall retain the right to research, develop and exploit PSA EPO in the Lipoxen Territories, and after termination of this Agreement, worldwide.

6.2 Lipoxen shall notify SIIL in writing if it or a Sub-licensee intends to commence marketing or selling Lipoxen Products in a country which falls with the scope of part (b) of the definition of the Lipoxen Territory.

6.3 Lipoxen PLC and Lipoxen Technologies shall keep SIIL fully informed on all material developments relating to the exploitation of PSA EPO in the Lipoxen Territories and shall promptly provide a copy to SIIL of any written agreement entered into between Lipoxen entity and a Sub-licensee relating to PSA EPO. Lipoxen shall be entitled to redact any provisions which are not relevant to the scope and nature of the sub-licence from the relevant licence agreement prior to providing it to SIIL.

6.4 Lipoxen Technologies shall ensure that any agreement it enters into with a Sub-licensee shall prohibit the Sub-licensee on its own or through its Affiliates from:-

6.4.1 actively selling Lipoxen Products in the SIIL Territory; and

6.4.2 using the SIIL Background IP for manufacture of any products other than conjugates of PSA and EPO.

6.5 Subject to clause 6.6, Lipoxen Technologies shall be responsible, at its entire discretion, for all research, development and exploitation of PSA EPO in the Lipoxen Territory including, without limitation:-

6.5.1 any and all applications for marketing authorisations to be made to the regulatory authorities, including EMEA and FDA and obtaining all registrations and approvals from regulatory authorities in the Lipoxen Territory required to sell PSA EPO in the Lipoxen Territory;

6.5.2 other than as set out in clause 5, all pre-clinical and clinical trials required to obtain the registrations and approvals referred to in clause 6.5.1;

6.5.3 subject to clause 6.6, any and all exploitation of PSA EPO in the Lipoxen Territory including, without limitation, negotiations with third parties and the determination of licensing arrangements with third parties for exploitation of PSA EPO in the Lipoxen Territories;

6.5.4 complying with all laws and regulations that apply to PSA EPO in the Lipoxen Territory;

6.5.5 unless PSA EPO was supplied by SIIL, all product liability and insurance relating to PSA EPO supplied in the Lipoxen Territory.

6.6 Lipoxen Technologies hereby agrees to use reasonable commercial efforts to bring in commercial deals which help exploitation of a Successful PSA EPO Product in the Lipoxen Territory within a period of one year from Completion. If Lipoxen Technologies is not able to conclude a commercial deal in relation to a Successful PSA EPO Product within a period of one year from Completion, then SIIL shall have right to start commercial negotiations with third parties for the exploitation of that Successful PSA EPO Product in the Lipoxen Territory. SIIL will not be able to be able to conclude a deal with the third party without the authority of Lipoxen Technologies and SIIL's involvement in the negotiations will not change the revenue sharing provisions in relation to the Successful PSA EPO Product that are set out in clause 9.4 of this Agreement

6.7 If requested to do so by SIIL, Lipoxen Technologies agrees to enter into good faith negotiations with SIIL regarding the acquisition by SIIL of rights to market PSA EPO in the Lipoxen Territory.

6.8 For the avoidance of doubt, nothing in this Agreement shall prevent SIIL from manufacturing and distributing in the Lipoxen Territory any products that do not incorporate or make use of any of the Lipoxen Technology.

PSA EPO World Wide Rights

6.9 SIIL acknowledges that Lipoxen shall be entitled to negotiate with third parties the right to exploit PSA EPO in all countries of the world except the SIIL Territory. If Lipoxen Technologies wishes to grant a license to a third party for countries forming part of the SIIL Territory then Lipoxen Technologies shall be entitled to negotiate such a license with the prior, written approval of SIIL, which approval shall not be unreasonbly withheld or delayed. In such a case both Lipoxen Technologies and SIIL will discuss the nature of license and the countries which Lipoxen Technologies wishes to licence to such third party as the territory of the third party. Any such discussions may include a consideration of the grant of a non-exclusive license in some countries of SIIL Territory where SIIL has an existing presence. Lipoxen shall immediately notify SIIL in writing if it grants third party rights to PSA EPO in the SIIL Territory and provide a copy to SIIL of the agreement with the third party (the "Third Party Agreement").

6.10 SIIL agrees that with effect from the commencement date of the Third Party Agreement:-

6.10.1 the SIIL Territory shall be amended pursuant to the agreement entered with the relevant third party;

6.10.2 the revenue sharing provisions set out in clause 9.7 of this Agreement shall apply; and

6.10.3 the provisions of clause 21.1.3 and 21.1.6 shall apply to those countries which are no longer within the SIIL Territory.

First Clinical Trial in Lipoxen Territory

6.11 SIIL has agreed to support the Lipoxen Trials as set out in clauses 6.12 to 6.13 of this Agreement.

6.12 SIIL shall promptly do all acts and provide all information and documents in SIIL's possession and/or control which are reasonably required by Lipoxen and/or its Sub-licensee in order for Lipoxen and/or its Sub-licensee (or a contract research organisation appointed by Lipoxen or its Sub-licensee) to prepare, submit and gain approval of any CMC Dossier required by a relevant regulatory authority for commencement of a Lipoxen Trial.

6.13 SIIL shall, as and when requested to do so by Lipoxen Technologies after the Effective Date, provide advice to Lipoxen Technologies in relation to the preparation for and execution of the Lipoxen Trials, including advice in relation to the preparation and filing of the technical information required by the relevant regulatory authority in order to commence the Lipoxen Trials. SIIL shall, if possible, procure that the advice provided to Lipoxen pursuant to this clause 6.13 is provided by Dr Sajjad Desai, Assistant Medical Director of SIIL.

7. Licence of SIIL Background IP

7.1 SIIL grants to Lipoxen Technologies, subject to clause 9.4 and 9.16, an exclusive, irrevocable, licence (with the right to grant sub-licences) to use the SIIL Background IP and the SIIL Foreground IP in the Lipoxen Territory, for the research, development, manufacture, use, sale, supply and other exploitation of conjugates of PSA and EPO.

7.2 The SIIL Licence shall expire on a country by country basis on the later of the following dates:-

7.2.1 the date upon which no Valid Claim exists within the SIIL Background IP and/or SIIL Foreground; and

7.2.2 ten (10) years from the first commercial sale of a Lipoxen Product in the Lipoxen Territory;

and thereafter, on a country by country basis (if applicable) the licence shall be fully paid. For avoidance of doubt, once the licence granted under clause 7.1 is fully paid, Lipoxen Technologies shall be entitled to use and sub-licence the SIIL Background IP and the SIIL Foreground without making any additional payment to SIIL.

7.3 The SIIL Licence shall, for the avoidance of doubt, include the right to use any techniques, assays and cell lines used by SIIL in the development and/or manufacture of PSA EPO and components of PSA EPO, including, subject to clause 19.8, the Serum Cell Line.

7.4 SIIL acknowledges that as at the Effective Date, SIIL has not carried out a transfer of technology which would enable Lipoxen to fully exploit the SIIL Licence and that Lipoxen does not have physical possession of the Serum Cell Line. From time to time in the circumstances set out in clause 14.15 of this Agreement and/or on expiry or termination of this Agreement, at Lipoxen's request, SIIL will immediately disclose and/or transfer to Lipoxen, its Sub-licensee and/or an appointed representative of Lipoxen or its Sub-licensee (which representative shall be suitably skilled in the manufacture of pharmaceuticals), in accordance with the terms of clause 19, all information, know how and materials (including samples of the cell lines referred to in clause 7.3) that are reasonably required solely to enable Lipoxen and/or its Sub-licensee to manufacture, store and handle Serum EPO and/or PSA EPO, to exploit the SIIL Licence and to exploit its rights to Joint Foreground under clause 8.7.

7.5 SIIL shall notify Lipoxen in writing of any and all components, including any raw materials used in manufacture, of PSA EPO that are supplied to SIIL by a third party supplier. The notice shall include details of the components, details of the third party supplier and details of the terms upon which the components are supplied to SIIL. SIIL shall at the written request of Lipoxen use its reasonable endeavours to secure a supply arrangement on reasonable commercial terms between Lipoxen and/or its Sub-licensee and the third party supplier used by SIIL in relation to any such components.

7.6 SIIL shall notify Lipoxen Technologies in writing of any SIIL Background IP that is licensed to SIIL and shall, if requested to do so by Lipoxen Technologies, provide a copy of the relevant licence agreement to Lipoxen Technologies and/or its Sub-licensees, provided that SIIL shall be entitled to redact any provisions which are not relevant to the scope and nature of the licence from the relevant licence agreement prior to providing it to Lipoxen.

7.7 For the avoidance of doubt, Lipoxen acknowledges that:-

7.7.1 neither it nor its Sub-licensees shall be entitled to sell or supply EPO which has not been conjugated to PSA and which has been made using the Serum Cell Line; and

7.7.2 if Lipoxen grants any sub-licence of the rights granted to it under clause 7.1 of this Agreement to a Sub-licensee, the agreement between Lipoxen and its Sub-licensee shall provide that any such sub-licence shall terminate on expiry or termination of the relevant Sub-licensee's right to use the PolyXen Technology.

8. Foreground

8.1 Any and all Foreground that relates specifically to the Serum Cell Line and/or Serum EPO shall belong to SIIL.

8.2 Any and all trade marks, brand names, labels, literature, product inserts or get-ups created by SIIL for use in relation to Licensed Products shall belong to SIIL provided that SIIL shall not anywhere in the world use the trade mark EREPOXEN or any trade mark which is confusingly similar to it.

8.3 Any and all Foreground that relates specifically to the Lipoxen Technology shall belong to Lipoxen Technologies. Any and all trade marks, brand names, labels, literature, product inserts or get-ups created by Lipoxen for use in relation to Lipoxen Products, including the brand name EREPOXEN, shall belong to Lipoxen Technologies.

8.4 Any Foreground that is not owned by either Party pursuant to clauses 8.1 to 8.3, including any Foreground which relates exclusively to the conjugation of PSA and EPO and which relates exclusively to the PSA EPO conjugate, shall be owned jointly by the Parties. Subject to clause 8.5, the Parties shall collaborate to agree the appropriate method for the protection, development and exploitation of the Joint Foreground. For the avoidance of doubt, if any Foreground relates to the PolyXen Technology and can be used in relation to PSA EPO but also has general applicability to molecules other than EPO, it shall be owned by Lipoxen pursuant to clause 8.3 above.

8.5 Lipoxen Technologies shall have sole conduct and control of any and all patent applications made in respect of the Joint Foreground which shall be filed in the joint names of Lipoxen Technologies and SIIL. It shall submit to SIIL a draft for its perusal at least sixty (60) days (or such shorter period as is necessary in Lipoxen's reasonable opinion to enable Lipoxen Technologies to protect the relevant invention) before filing the same with the relevant patent authorities. The cost of any such patent applications (and the cost of maintaining any patents granted in respect thereof) shall be:-

8.5.1 borne by Lipoxen Technologies in relation to patents and patent applications in the Lipoxen Territory; and

8.5.2 shared equally by the parties in relation to patents and patent applications in the SIIL Territory.

8.6 Lipoxen Technologies shall consult regularly with SIIL in relation to the patents and patent applications referred to in clause 8.5 and shall comply with all reasonable suggestions made by SIIL in relation to the prosecution of such patent applications. SIIL shall provide Lipoxen Technologies with all assistance reasonably required by it in relation to the prosecution and maintenance of the patents and patent applications referred to in clause 8.5.

8.7 For the avoidance of doubt, the parties agree that Lipoxen Technologies shall have the royalty free right to use and exploit (which shall include the right to grant licences to third parties without the consent of SIIL) the Joint Foreground in the Lipoxen Territory and, after termination or expiry of the Agreement, worldwide.

8.8 For the avoidance of doubt, the parties agree that for the term of this Agreement, subject to clause 8.9, SIIL shall have the royalty free right to use and exploit the Joint Foreground in the SIIL Territory to the extent such use and exploitation is required to enable SIIL to exploit the PolyXen Licence and the licence granted to SIIL under clause 14.17 of this Agreement, but SIIL agrees that it shall not be able to grant third parties the right to use or exploit (by licence of otherwise) the Joint Foreground in any country of the world without the prior written consent of Lipoxen.

8.9 The parties agree that SIIL shall have a non-exclusive, perpetual, royalty free right in the SIIL Territory to use the Joint Foreground in relation to any process used by SIIL to manufacture products containing PSA where the PSA is a naturally occurring part of the product which has not been added to the product by conjugation, genetic engineering or otherwise for the purposes of achieving, directly or indirectly, any or all of the objectives of the PolyXen Technology.

9. Royalties

SIIL Royalties to Lipoxen

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Lipoxen Royalties to SIIL

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SIIL's Option to Capitalise its Rights

9.8 The parties agree that at any time after the commencement by Lipoxen PLC and/or Lipoxen Technologies of a Phase IIa clinical trial in relation to a Lipoxen Product but before the commencement of a Phase IIb clinical trial by Lipoxen Technologies and/or Lipoxen PLC relating to a Lipoxen Product (the "Option Period"), SIIL shall be entitled to serve written notice on Lipoxen Technologies requiring Lipoxen PLC to capitalise SIIL's rights under clause 9.4 in accordance with the provisions set out in clauses 9.9 to 9.14 below. Lipoxen shall keep SIIL fully informed in respect of the status of the clinical trials referred to in this clause 9.8 so that SIIL has sufficient time to exercise its option of capitalisation as envisaged herein. Commencement of a clinical trial for this purpose shall mean the actual administration of the PSA EPO doses to humans admitted to the relevant clinical trial.

9.9 Any notice served by SIIL pursuant to clause 9.8 (the "Option Notice") must be received by Lipoxen PLC during the Option Period. If Lipoxen does not receive a notice from SIIL during the Option Period then SIIL's right under clause 9.8 shall expire.

9.10 If within ninety (90) days of receipt of the Option Notice Lipoxen enters into a licence agreement with a Sub-licensee in relation to all of the Lipoxen Territory, SIIL's rights under clause 9.8 shall expire and no further action shall be taken by either party pursuant to clauses 9.12 to 9.15 below and in such case clause 9.4.2 shall be applied [***]. If Lipoxen does not enter into a licence agreement with a Sub-licensee in the ninety day period, the parties agree that the procedure set out in clauses 9.11 to 9.15 shall apply.

9.11 The parties shall be entitled to appoint an expert in accordance with the procedure set out in Schedule 21 of this Agreement, the cost of which shall be borne entirely by SIIL, to determine the hypothetical value that would have been achieved by Lipoxen if, on the date the expert issues his opinion, Lipoxen had granted a third party an exclusive licence in the entire Lipoxen Territory of Lipoxen's rights in relation to PSA EPO. The expert appointed pursuant to this clause 9.11 shall be required to assess the value of the exclusive licence based on market practice and in terms of, and by apportioning the hypothetical consideration due to Lipoxen between, up-front licence fees to be paid on signature of the hypothetical licence agreement and milestones payable on the achievement of clinical development and regulatory approval of Lipoxen Products (the "Hypothetical Licence Fee"). The parties agree that for the purposes of this clause 9.11, the expert shall not be entitled to attribute any value to, and shall ignore for the purposes of determining the Hypothetical Licence Fee:-

9.11.1 any hypothetical consideration that might be due to Lipoxen after regulatory approval of a Lipoxen Product, for example milestones due on the achievement of any commercial milestones such as first sale of a Lipoxen Product; and

9.11.2 any hypothetical royalties that might become due to Lipoxen on sale of Lipoxen Products by the hypothetical sub-licensee.

[***]

Example

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9.16 The parties agree that, following a determination by the expert in accordance with clause 9.11, if Lipoxen thereafter successfully completes a phase II clinical trial in relation to a Lipoxen Product, Lipoxen shall use "Diligent and Reasonable Efforts" to:- (a) commence a phase III clinical trial in relation to the Lipoxen Product; or (b) out-licence its rights in relation to the Lipoxen Product to a third party. If at any time after expiry of the eighteen month period following completion of a successful phase II clinical trial in relation to a Lipoxen Product, SIIL can prove that Lipoxen has not fulfilled its obligation to use Diligent and Reasonable Efforts to achieve the objective described in this clause 9.16, SIIL's only remedy under this clause 9.16 shall be, by service of thirty days (30) notice in writing to Lipoxen, to terminate the licence granted to Lipoxen under clause 7.1. In the event to termination of by Serum of the licence under clause 7.1:-

9.16.1 SIIL will not be obliged to repay to Lipoxen any share of the Capitalisation Payment received by SIIL prior to the date of termination; and

9.16.2 termination of the licence shall not affect any other provisions of this Agreement which shall continue to have full force and effect.

For the purposes of this clause 9.16:-

9.16.3 successful completion of a phase II clinical trial shall mean generation and receipt by Lipoxen of data from a phase II clinical trial conducted by or on behalf of Lipoxen in relation to a Lipoxen Product which would support the commencement of an EMEA or FDA regulated phase III clinical trial in relation to the Lipoxen Product without any objections being raised by the relevant regulatory authority; and

9.16.4 "Diligent and Reasonable Efforts" shall mean exerting such effort and employing such resources as would normally be exerted or employed by a reasonable third party for a product of similar market potential at a similar state of its product life, taking into account the competitiveness of the relevant marketplace, the proprietary and development positions of third parties, the regulatory structure involved, and the profitability of the product, when utilising sound and reasonable scientific, business and medical practice and judgment in order to develop a product in a timely manner and maximise the economic return to the parties form its commercialization.

10. Records and Inspections

10.1 During the term of this Agreement and for a period of three years thereafter, SIIL shall keep at its normal place of business detailed and up to date records and accounts showing:- (a) the quantity, description and value of Licensed Products and Supply Products supplied by SIIL in each country, and (b) all sums paid to Lipoxen by SIIL, and to SIIL by a Customer, in each case during the previous three years. SIIL shall ensure that such records and accounts are sufficient to ascertain the royalties and other sums due under this Agreement.

10.2 SIIL shall make its records and accounts available, on reasonable notice, for inspection during business hours by an independent chartered accountant nominated by Lipoxen and reasonably acceptable to SIIL for the purpose of verifying the accuracy of any statement or report given by SIIL to Lipoxen under this Agreement and SIIL's compliance with the terms of this Agreement. The accountant shall be required to keep confidential all information learnt during any such inspection, and to disclose to Lipoxen only such details as may be necessary to report on the accuracy of SIIL's statement or report and/or SIIL's compliance with the terms of this Agreement, a copy of which shall be given to SIIL. Lipoxen shall be responsible for the accountant's charges unless the accountant certifies that there is an inaccuracy of more than 5 per cent in any royalty statement or other payment, in which case SIIL shall pay his charges in respect of that inspection.

10.3 SIIL shall on reasonable notice, of at least one week (or shorted if required for regulatory purposes) grant to a representative of Lipoxen Technologies access to SIIL's premises where any Supply Products (or materials for Supply Products) are made, tested, inspected, labelled, packaged or stored and shall provide such information and explanations as that representative shall require to verify SIIL's compliance with the terms of this Agreement. Any such inspections shall be for the purpose of auditing and this shall not relieve SIIL of any responsibility or liability.

10.4 During the term of this Agreement and for a period of three years thereafter, Lipoxen Technologies shall keep at its normal place of business detailed and up to date records and accounts showing the quantity, description and value of Lipoxen Products supplied by Lipoxen Technologies in each country during the previous three years. Lipoxen Technologies shall ensure that such records and accounts are sufficient to ascertain the royalties and other sums due under this Agreement.

10.5 Lipoxen Technologies shall make its records and accounts available, on reasonable notice, for inspection during business hours by an independent chartered accountant nominated by SIIL and reasonably acceptable to Lipoxen Technologies for the purpose of verifying the accuracy of any statement or report given by Lipoxen to SIIL under this Agreement and any payments made by Lipoxen under clause 9.4 of this Agreement. The accountant shall be required to keep confidential all information learnt during any such inspection, and to disclose to SIIL only such details as may be necessary to report on the accuracy of Lipoxen's statement or report and/or payments made under clause 9.4 of this Agreement. SIIL shall be responsible for the accountant's charges unless the accountant certifies that there is an inaccuracy of more than 5 per cent in any royalty statement or other payment, in which case Lipoxen Technologies shall pay his charges in respect of that inspection.

10.6 If any inspection of records demonstrates a shortfall in sums due to a Party compared to sums actually paid to a Party, the payer shall immediately pay the shortfall to the payee.

11. Reporting

Reporting - General

11.1 During the term of this Agreement and on expiry or termination, SIIL shall provide Lipoxen with a written report (which may be sent by email) from time to time setting out the results of all research and development carried out by SIIL using the Licensed Rights.

11.2 During the term of this Agreement, SIIL shall provide to Lipoxen Technologies an annual written development plan, showing all past, current and projected activities taken or to be taken by SIIL to bring Licensed Products to market and to maximise the sale of Licensed Products in the SIIL Territory. Lipoxen Technologies receipt or approval of any such plan shall not be taken to waive or qualify SIIL's obligations under clauses 5.1 and 5.2.

11.3 SIIL shall immediately notify Lipoxen Technologies by telephone, confirmed by fax or email, if it becomes aware of any problems that are likely to significantly delay the achievement of the milestones set out in Schedule 12.

11.4 Each of the parties shall, from time to time, but no more than once every six months during the term of this Agreement, be entitled to request that the other party provides to it a written report detailing any Foreground and/or PSA Foreground made or acquired by the other party during the period since other party last sent a report pursuant to this clause. Each report shall contain sufficient details of the Foreground and/or the PSA Foreground to enable the other party to:- (a) understand it; and (b) to the extent a party has ownership rights to it or a right to a licence under this Agreement in relation to it, to implement it.

Reporting – Clinical Trials

11.5 SIIL shall and shall procure that the Appointed CRO shall, during the term of this Agreement:-

11.5.1 keep detailed written records of its progress with the Services and, at the request of Lipoxen Technologies, promptly provide Lipoxen Technologies with access to and/or copies of such records;

11.5.2 supply to Lipoxen Technologies on a regular basis (and no less than once each Quarter) with an interim report describing the progress of the Services including, without limitation, details of all material Foreground which has been made or which has come to its attention and containing recommendations regarding the future progress of the Services;

11.5.3 notwithstanding clause 11.5.2 above, keep Lipoxen Technologies fully informed of the progress of the Services and of all arising Foreground;

11.5.4 immediately notify Lipoxen Technologies in writing if there is an unexpected technical or scientific problem which makes it impossible to achieve or is likely to cause a material delay to the Services, including any adverse events arising pursuant to the Clinical Trials.

11.6 SIIL has prior to the Effective Date provided to Lipoxen Technologies a set of the information described in Schedule 14 of this Agreement. SIIL agrees that SIIL will promptly provide to Lipoxen Technologies in writing details of any updates to the information described in Schedule 14 so that Lipoxen Technologies at all times possesses the relevant information in its most up to date form.

11.7 SIIL will allow, and/or will procure that the Appointed CRO will allow, Lipoxen Technologies and/or its employees to:-

11.7.1 visit SIIL’s facilities and/or the Appointed CRO’s facilities; and

11.7.2 to review SIIL's and/or the Appointed CRO's records at reasonable times and with reasonable frequency during normal business hours to:-

11.7.2.1 verify compliance by SIIL and/or the Appointed CRO with clauses 5.11, 5.13 and 5.15; and/or

11.7.2.2 observe the progress of the Services.

11.8 SIIL shall procure that the Appointed CRO shall update Lipoxen on the progress of the Clinical Trials on a monthly basis via a telephone conference call with Lipoxen. SIIL shall be notified of the time of the call and will be entitled to appoint a representative to participate on the call.

12. Patent Notifications

Except as otherwise instructed by Lipoxen Technologies from time to time, SIIL shall procure that the following notice is included on each Licensed Product and in any information leaflet supplied with each Licensed Product in a reasonably clear, readable and conspicuous manner:

> "This product has been formulated using technology licensed from Lipoxen Technologies and is protected by the following patents [insert the registration numbers of the relevant Lipoxen Patents covering the country of sale]."

13. Infringement of the Lipoxen Patents

13.1 Each of the Parties shall promptly notify the other with such details as it has in its possession of all Infringements as and when it becomes aware of an Infringement.

13.2 Lipoxen Technologies may in its sole discretion and at its own cost have the right to take action to prevent Infringements, including but not limited to conducting infringement proceedings in its own name.

13.3 SIIL shall provide Lipoxen Technologies with such assistance as Lipoxen may reasonably request in connection with any proceedings referred to in clause 13.2. Lipoxen Technologies shall pay SIIL's reasonable out-of-pocket expenses properly incurred in providing the requested assistance.

13.4 If Lipoxen decides not to initiate or prosecute proceedings against any Infringer then SIIL may at its sole discretion and at its own cost and expense take proceedings (or continue any existing proceedings commenced by the Lipoxen Technologies) against such Infringer.

14. SIIL Supply Obligations

14.1 SIIL agrees to supply the Supply Products to Customers in accordance with the terms of this Agreement.

14.2 SIIL acknowledges that its right to supply the Supply Products to Customers is non-exclusive and that:-

14.2.1 in accordance with the scope of the licence set out in clause 14.21, Lipoxen and/or Customers may manufacture themselves, and/or appoint a third party to manufacture and supply, PSA;.

14.2.2 in accordance with the scope of the SIIL Licence and subject to the restrictions in clause 7, Lipoxen and/or Customers may manufacture themselves and/or appoint a third party to manufacture and supply to them, EPO for conjugation to PSA; and/or

14.2.3 Lipoxen and/or Customers may carry out the manufacture of PSA EPO from PSA and EPO, or appoint a third party to do so on their behalf.

14.3 SIIL shall only be entitled to supply:-

14.3.1 PSA to Lipoxen Technologies and/or to third parties that have entered into agreements with Lipoxen Technologies granting such third parties rights to use the PolyXen Technology;

14.3.2 PSA EPO in the Lipoxen Territories to Lipoxen Technologies and/or to third parties that have entered into agreements with Lipoxen Technologies granting such third parties rights to use the PolyXen Technology in relation to PSA EPO.

14.4 In response to Orders, SIIL shall manufacture and supply to Customers, Supply Products:-

14.4.1 in accordance with the terms of this Agreement;

14.4.2 in accordance with the relevant Product Specification relating to the relevant Supply Product;

14.4.3 in accordance with FDA and all other applicable codes of practice, guidelines, standards, regulations and anything of similar effect, in each case relating to the Supply Product, including GMP;

14.4.4 subject to clause 14.5, in accordance with the reasonable requirements of Customers and any additional supply and quality terms agreed between SIIL and a Customer.

14.5 If Customers make a material change to the relevant Product Specification, SIIL shall only be obliged to use its best endeavours to customise the Supply Product to meet those requirements and thereafter supply the modified Supply Products on the same terms (except as to price in relation to which see paragraph 12 of Schedule 23). Lipoxen Technologies shall provide to SIIL any and all know-how in Lipoxen Technologies possession and/or control which is reasonably required by SIIL to manufacture variations to the Product Specifications. SIIL shall not be liable for failure to supply Supply

Products in cases where there has been a material change to the Product Specification and, using its best endeavours, SIIL could not have been expected to produce the modified Supply Product in accordance with the terms of this Agreement.

14.6 The parties agree that the Supply Products shall be supplied by SIIL in accordance with the terms set out in Schedule 23 of this Agreement and other terms contained in the agreements to be entered with Customers and Sub-licensees.

Supply of Supply Products to Lipoxen

14.7 SIIL agrees that for each new partner with which Lipoxen Technologies commences an evaluation of the PolyXen Technology and/or for each new product for which Lipoxen Technologies commences an evaluation of the PolyXen Technology (whether on its own behalf or with a new or existing partner), notwithstanding the provisions of paragraph 11 of Schedule 23 [***]

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14.8 [***]

Nature of Supply Arrangements

14.9 As stated in clause 14.2 above, the parties acknowledge that the supply arrangements set out in this Agreement are non-exclusive in nature. Lipoxen Technologies shall use its reasonable endeavours to promote SIIL as a supplier of PSA to Customers but such Customers shall not be obliged to purchase their requirements of PSA from SIIL.

14.10 Lipoxen does not guarantee that Customers will place Orders with SIIL or that Customers will place orders to any particular value.

14.11 Each Order shall be subject to the terms and conditions of this Agreement (including the terms in Schedule 23) and in relation to each Customer, the terms and conditions in any other agreements between SIIL and that Customer.

14.12 If a Customer wishes to purchase a Supply Product direct from SIIL rather than placing Orders through Lipoxen Technologies, SIIL agrees to enter into supply agreements with such Customers on terms which are no less favourable than those set out in this Agreement, with the exception of the terms relating to price set out in paragraph 11 of Schedule 23 and Schedule 15, which each Customer (other than Lipoxen Technologies) will need to agree with SIIL on a case by case basis.

14.13 If SIIL enters into any agreement with a Customer this shall not create any obligation or liability for Lipoxen, nor shall it detract from the rights of Lipoxen under this Agreement. All agreements with Customers shall be separate agreements and shall not render any Customer responsible for the acts and omissions of other Customers nor shall a breach of or a termination by one Customer affect agreements between SIIL and other Customers. Notwithstanding the above, SIIL shall have an obligation to Lipoxen to enter into and to comply with the terms of agreements between SIIL and Customers.

14.14 SIIL shall not supply Supply Products to third parties who are not Customers save to the extent that SIIL is expressly licensed to do so under a separate agreement.

EPO and PSA EPO Technology Transfer

14.15 SIIL acknowledges that if any of the following circumstances apply, Lipoxen Technologies and/or its Customer shall be entitled to call for a transfer of technology pursuant to clause 7.4, which shall be carried out by SIIL in accordance with clause 19, to enable Lipoxen Technologies and/or its Customer (and/or a third party on behalf of Lipoxen Technologies and/or its Customer) to manufacture, store and handle:- (a) EPO (only for conjugation with PSA); and/or (b) PSA EPO:-

14.15.1 if SIIL fails to manufacture EPO and/or PSA EPO in accordance with the relevant Product Specification and/or specifications provided by the Customer, subject to clause 14.5 above and provided that those specifications are reasonable;

14.15.2 if SIIL cannot supply EPO and/or PSA EPO in countries required by Customers within a reasonable time;

14.15.3 if a Customer wishes itself to manufacture EPO for conjugation with PSA and/or to manufacture PSA EPO;

14.15.4 if a Customer wishes to use a third party to manufacture on behalf of the Customer EPO for conjugation with PSA and/or PSA EPO; and/or

14.15.5 if SIIL is otherwise unable to meet the requirements of Customers in relation to EPO and/or PSA EPO; and/or

14.15.6 on expiry or termination of this Agreement.

Licence of PSA Technology

14.16 The specification of the cell line used by Lipoxen to manufacture PSA is set out in Schedule 16 of this Agreement. SIIL acknowledges that Lipoxen has provided SIIL with a sample of the cell line described in Schedule 16.

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14.18 SIIL shall not be entitled to sub-licence, sub-contract or otherwise transfer its rights under the licence set out in clause 14.17 to any person.

14.19 SIIL acknowledges that prior to the Effective Date Lipoxen Technologies has supplied SIIL with any and all PSA Know How which is reasonably required to enable SIIL to exercise its rights under this Agreement based on which SIIL has manufactured and supplied PSA to Lipoxen Technologies, which has been duly accepted and used by Lipoxen Technologies in its research. SIIL may, from time to time, but no more than once in each Calendar year during the term of this Agreement, ask Lipoxen Technologies to provide SIIL with a written report detailing any PSA Improvements made or acquired by Lipoxen Technologies during the period since Lipoxen Technologies last sent a report pursuant to this clause. Each report shall contain sufficient details of the PSA Improvements to enable SIIL to understand the PSA Improvements

Licence of SIIL PSA IP

14.20 [***]

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14.22 The licence set out in clause 14.21 shall commence on the Effective Date but shall not be exercised by Lipoxen Technologies until such time as:-

14.22.1 SIIL fails to manufacture PSA in accordance with the relevant PSA Specification and/or specifications provided by Customers, subject to clause 14.5 above and provided that those specifications are reasonable;

14.22.2 SIIL cannot supply PSA manufactured in countries required by Customers within a reasonable time;

14.22.3 a Customer wishes to manufacture PSA itself or have PSA manufactured by a third party for use by the Customer;

14.22.4 SIIL is otherwise unable to meet the requirements of Customers in relation to PSA; and/or

14.22.5 this Agreement expires or terminates.

PSA Technology Transfer

14.23 SIIL shall on termination or expiry of this Agreement and/or from time to time on receipt of written notice from Lipoxen Technologies that Lipoxen Technologies has exercised the licence set out in clause 14.21, in accordance with clause 19, if requested to do so in writing by Lipoxen Technologies, promptly transfer to Lipoxen or to a relevant Customer and/or the appointed representative of Lipoxen or the Customer, any and all:-

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PSA Foreground

14.24 The Parties agree that the PSA Foreground shall be jointly owned by SIIL and Lipoxen Technologies. Both the parties assign to SIIL and Lipoxen Technologies as tenants in common in equal shares all its right, title and interest in the PSA Foreground, together with all associated rights and remedies, including the right to take action against existing and past infringers. This assignment shall be both a present and future assignment and to the extent that this clause does not operate to assign any property, then each party shall hold that property in trust for SIIL and Lipoxen and shall do everything within its power to effect the arrangement that is closest to an assignment without delay.

14.25 Subject to clauses 14.26 to 14.29, the parties shall collaborate to agree the appropriate method for the protection, development and exploitation of the PSA Foreground.

14.26 Lipoxen Technologies shall be responsible for managing any Intellectual Property Rights relating to the PSA Foreground that are owned by SIIL and Lipoxen Technologies as tenants-in common. Lipoxen Technologies may file (in the joint names of Lipoxen Technologies and SIIL), prosecute and maintain such patent applications in its own name as it considers reasonably necessary. The application and prosecution costs of any such patent applications (and the cost of maintaining any patents granted in respect thereof) shall be shared equally between the parties. If Lipoxen Technologies chooses not to file or prosecute a patent application or to maintain a granted patent as stated in this clause, then SIIL may choose to file and prosecute the patent application and/or maintain the patent and each party shall be responsible for half (50%) of the costs and expenses incurred in connection with the filing, prosecution and maintenance.

14.27 Lipoxen Technologies shall consult regularly with SIIL in relation to the patents and patent applications referred to in clause 14.26 and shall comply with all reasonable suggestions made by SIIL in relation to the prosecution of such patent applications. SIIL shall provide Lipoxen Technologies with all assistance reasonably required by Lipoxen in relation to the prosecution and maintenance of the patents and patent applications referred to in clause 14.26. Lipoxen Technologies shall provide SIIL a draft of any patent application to be filed under this clause at least 60 days (or such shorter time as is reasonably required in Lipoxen’s reasonable opinion to enable Lipoxen to protect the invention which is the subject of the patent application) before the filing so that SIIL can review the same and contribute.

14.28 For the avoidance of doubt, the parties agree that Lipoxen Technologies, subject to clause 14.22, shall be entitled during the term of this Agreement and thereafter to use and exploit (which shall include the right to grant licences to third parties worldwide without the consent of SIIL) the PSA Foreground, royalty free, worldwide.

14.29 For the avoidance of doubt, the parties agree that SIIL rights to use the PSA Foreground shall be solely as set out in clause 14.17 of this Agreement and clause 14.30 below.

14.30 The parties agree that SIIL shall have a non-exclusive, perpetual, royalty free right in the SIIL Territory to use the PSA Foreground in relation to any process used by SIIL to manufacture products containing PSA where the PSA is a naturally occurring part of the product which has not been added to the product by conjugation, genetic engineering or otherwise for the purposes of achieving, directly or indirectly, any or all of the objectives of the PolyXen Technology.

Master Cell Banks

14.31 SIIL shall create, maintain and lodge with at least one independent third party Master Cell Banks in relation to the EPO Cell Line and the PSA Cell Line.

14.32 SIIL shall provide written details to Lipoxen of the third party with whom the Master Cell Banks are lodged and evidence that SIIL has complied with all regulatory requirements relating to the creation and maintenance of a Master Cell Bank.

15. Payment Terms

15.1 All sums due under this Agreement:

15.1.1 are exclusive of Value Added Tax or any other sales tax or duties, which if and where applicable will be paid by the payee to the payee in addition to any sum in respect of which they are calculated;

15.1.2 shall be paid in US dollars to the credit of the payee's bank account, details of which shall be notified to the payer as and when necessary;

15.1.3 shall be made without deduction of income tax or other taxes charges or duties that may be imposed, except insofar as the payer is required to deduct the same to comply with applicable laws. The Parties shall co-operate and take all steps reasonably and lawfully available to them, at the expense of the payee, to avoid deducting such taxes and to obtain double taxation relief. If the payer is required to make any such deduction it shall provide the payee with such certificates or other documents as it can reasonably obtain to enable the payee to obtain appropriate relief from double taxation of the payment in question; and

15.1.4 shall be made by the due date, failing which the payee may charge interest on any outstanding amount on a daily basis at a rate equivalent to 2% (two per cent) above the London Inter-Bank Offer Rate (6 months).

15.2 If any payments due under this Agreement are calculated as a percentage of sums received or invoiced by a Party and a Party receives such a sum in a currency other than US dollars, payments due under this Agreement shall first be calculated in the currency in which such sum is invoiced and/or received and then converted into equivalent US dollars at the buying rate of such other currency as quoted by Citibank in London as at the close of business on the day upon which the payment relating to such sum is due under this Agreement or, if earlier, the day upon which such payments are made to the other Party.

15.3 If at any time during the continuation of this Agreement a payer is prohibited from making any of the payments required hereunder by a governmental authority in any country then the payer will within the prescribed period for making the said payments in the appropriate manner use its best endeavours to secure from the proper authority in the relevant country permission to make the said payments and will make them within 7 (seven) days of receiving such permission. If such permission is not received within 30 (thirty) days of the payer making a request for such permission then, at the option of the payee, that payer shall deposit the payments due in the currency of the relevant country either in a bank account designated by the payee within such country or such payments shall be made to an associated company of the payee designated by the payee and having offices in the relevant country designated by the payee.

15.4 The Parties agree that each party shall be responsible for paying any taxes arising pursuant to or in relation to this Agreement for which the party is primarily liable.

16. Warranties

Lipoxen Technologies Warranties

16.1 Lipoxen Technologies warrants to SIIL that at the Effective Date:

16.1.1 Lipoxen Technologies owns the PolyXen Patents existing at the Effective Date;

16.1.2 Lipoxen Technologies has the right to grant the PolyXen Licence;

16.1.3 so far as Lipoxen Technologies is actually aware, use of the Polyxen Technology and PolyXen Patents in the SIIL Territory in accordance with the terms of this Agreement will not infringe the Intellectual Property Rights of a third party;

16.1.4 Lipoxen Technologies has not committed any act that would render any of the PolyXen Patents invalid or that would prevent the PolyXen Patents from proceeding to grant:

16.1.5 Lipoxen Technologies has not disclosed any material PolyXen Know How to a third party other than subject to a confidentiality agreement; and

16.1.6 Lipoxen Controls the PSA Cell Line and PSA Know-How.

16.2 All statements, representations, warranties, terms and conditions (whether express or implied) as to the suitability and/or usefulness of the Licensed Rights for any particular purpose including without limitation the development of Licensed Products and/or the manufacture of PSA are hereby excluded to the maximum extent permissible by law.

16.3 Without prejudice to the generality of clause 16.2 and subject to the express warranties given in clause 16.1, Lipoxen does not give any warranty, representation or undertaking:

16.3.1 as to the efficacy, usefulness, safety or commercial or technical viability of the Lipoxen Technology and/or any products made or processes carried out using the Lipoxen Technology;

16.3.2 as to the volumes or quality of the Licensed Products and/or PSA which may be manufactured through use of the Lipoxen Technology;

16.3.3 that any of the PolyXen Patents or PSA Patents are or will be valid or that any of the patent applications that comprise part of the PolyXen Patents or PSA Patents will proceed to grant;

16.3.4 that all or any part of the PolyXen Know How and/or PSA Know How is confidential and is not otherwise available to the public.

SIIL Warranties

16.4 SIIL undertakes and warrants to Lipoxen that:-

16.4.1 prior to the Effective Date, it has complied with the terms of clause 4.5, 5.2 and 5.4 of the Supplementary Agreement and it will, after the Effective Date, at all times comply with clauses 5.10, 5.13 and 5.15 of this Agreement;

16.4.2 it shall ensure that it is able to comply with the provisions relating to ownership of the Foreground and the PSA Foreground set out in clauses 8 and 14.24 of this Agreement;

16.4.3 it has the right to grant the SIIL Licence and the licence set out in clause 14.21 of this Agreement;

16.4.4 exercise of the SIIL Licence and the licence set out in clause 14.21, including the use by Lipoxen and/or its Sub-licensee of the Serum Cell Line to manufacture Serum EPO, will not, so far as SIIL is aware, infringe the property or Intellectual Property Rights of a third party;

16.4.5 it acquired the rights to and in the Serum Cell Line pursuant to the [***] and [***] had the right to transfer the Serum Cell Line to SIIL in accordance with the terms of the [***];

16.4.6 SIIL is not in breach of the terms of the [***]. [***] has no right to call for the return of the Serum Cell Line to [***] and will not, as a result of the terms of this Agreement and the implementation thereof, have a right to call for the return of the Serum Cell Line to [***];

16.4.7 SIIL has itself developed the process and know how for the fermentation of the Serum Cell Line and manufacture of the Serum EPO and it does not require a licence from a third party to use the process and/or know how;

16.4.8 Schedule 18 of this Agreement contains a complete and full description of any Intellectual Property Rights owned by or licensed to SIIL relating to the Serum EPO, PSA EPO and the Serum Cell Line;

16.4.9 there is nothing, by way of contractual restrictions owed to third parties or otherwise, that would prevent SIIL from granting a licence to Lipoxen and/or its Sub-licensees of any of the Intellectual Property Rights set out in Schedule 18;

16.4.10 prior to the Effective Date SIIL has disclosed to Lipoxen any and all licence agreements to which SIIL is a party and which relate to the Serum Cell Line, Serum PSA and/or PSA EPO;

16.4.11 prior to the Effective Date SIIL has complied with the provisions of clauses 7.5 and 7.7 of this Agreement;

16.4.12 it has the right to enter into this Agreement and will not be in breach of any agreement with a third party as a result of entering into this Agreement;

16.4.13 as at the Effective Date, all of the Intellectual Property Rights which it owns, controls or uses under licence that are necessary or desirable for the manufacture of PSA that are set out in Schedule 19;

16.4.14 Schedule 20 sets out a list of all Intellectual Property Rights owned, controlled or created by SIIL in the course of the Development (as defined in the DMA).

17. Limitation of Liability and Indemnity

17.1 SIIL shall assume all risks associated with the development, manufacture, use and supply of Licensed Products in the SIIL Territory and Supply Products world-wide and shall be responsible for all third party claims relating to the Licensed Products and Supply Products including, but not limited to, claims based upon product liability laws.

17.2 SIIL acknowledges that the Lipoxen Technology is at an early stage of development. Accordingly, specific results cannot be guaranteed and any results, materials, information or other items (together “Delivered Items”) provided under this Agreement are provided “as is” and without any express or implied warranties, representations or undertakings. As examples, but without limiting the foregoing, Lipoxen does not give any warranty that Delivered Items are of merchantable or satisfactory quality, are fit for any particular purpose, comply with any sample or description, or are viable, uncontaminated, safe or non-toxic

17.3 Lipoxen shall not have any liability to SIIL whether in contract, tort, negligence or otherwise for any loss or damage arising out of and/or in connection with:

17.3.1 any research, development, manufacture, use, distribution or supply of the Licensed Products and/or Supply Products by SIIL; and/or

17.3.2 use of Licensed Products and/or Supply Products by any third party.

17.4 If at any time SIIL has reason to believe that it has failed or may fail to comply with the provisions of this Agreement, SIIL shall immediately notify Lipoxen Technologies of the cause, the expected period of the non-compliance, the steps proposed by SIIL to minimise the non-compliance, the consequences of that non-compliance and all other relevant facts.

SIIL Indemnities

17.5 SIIL shall fully indemnify, and at all times keep Lipoxen fully indemnified, against any and all liability, damages, claims, demands, actions, proceedings, expenses (including, but not limited to, legal expenses and fees) arising out of or in connection with:

17.5.1 any exercise of the Licensed Rights by SIIL including any research, development, manufacture, use, distribution, sale and/or supply of Supply Products and/or Licensed Products;

17.5.2 any use by a third party of the Licensed Products and/or Supply Products manufactured and/or supplied by or on behalf of SIIL; and/or

17.5.3 the performance (or non-performance) of the supply obligations of SIIL in relation to Supply Products under this Agreement.

17.6 SIIL shall indemnify and shall keep Lipoxen indemnified against any and all liability, damages, claims, proceedings and expenses (including, but not limited to, legal expenses and fees) arising out of or in connection with the Clinical Trials provided that SIIL shall not be liable under this clause 17.5 for any and all liability, damages, claims, proceedings and expenses (including but not limited to, legal expenses and expert's fees) that arise directly as a result of express instructions received from Lipoxen Technologies in relation to conduct of the Clinical Trials.

Lipoxen Indemnity

17.7 Subject to clause 17.8, Lipoxen Technologies shall indemnify SIIL against any and all liability, damages, claims, proceedings, expenses (including, but not limited to, legal expenses and expert's fees) incurred by SIIL resulting from any allegation or claim that use of the inventions disclosed in the PolyXen Patents in PSA EPO in the SIIL Territory in the Field infringes the Intellectual Property Rights of a third party.

17.8 Lipoxen's Technologies liability under the indemnity set out in clause 17.7 shall only commence in relation to PSA EPO from the date upon which phase III clinical trials in relation to PSA EPO are successfully completed.

Insurance

17.9 For the duration of this Agreement and for a period of three years following termination, SIIL shall maintain adequate insurance cover for any liabilities arising under this Agreement. SIIL shall provide details of such insurance cover and evidence that it is in force if requested by Lipoxen Technologies. If SIIL fails to comply with this clause 17.9 then Lipoxen Technologies may take out appropriate insurance and recover the cost from SIIL.

18. Confidential Information and Publication

18.1 Each Party (the "Receiving Party") undertakes:

18.1.1 to maintain as secret and confidential all Confidential Information obtained directly or indirectly from the other Party ("Disclosing Party") in the course of or in anticipation of this Agreement;

18.1.2 to use the Confidential Information of the other Party only for the purposes of this Agreement;

18.1.3 to disclose the Confidential Information of the other Party only to those of its employees, contractors, and sub-licensees to whom and to the extent that such disclosure is reasonably necessary for the purposes of exploiting its rights and complying with its obligations under this Agreement; and

18.1.4 to comply with the obligations of this clause 18 for so long as it has knowledge of any Confidential Information received or derived from the other Party which period shall, for the avoidance of doubt, survive termination or expiry of this Agreement.

18.2 The provisions of clause 18.1 shall not apply to Confidential Information which the Receiving Party can prove:

18.2.1 was, prior to its receipt by the Receiving Party from the Disclosing Party, or is subsequently disclosed to the Receiving Party without any obligations of confidence by a third party who has not derived it directly or indirectly from the Disclosing Party; or

18.2.2 is or becomes generally available to the public through no act or default of the Receiving Party or its agents, employees, Affiliates or sub-licensees; or

18.2.3 the Receiving Party is required to disclose to the courts of any competent jurisdiction, or to any government regulatory agency or financial authority, provided that the Receiving Party shall:

(a) inform the Disclosing Party as soon as is reasonably practicable of its obligation to disclose such information; and

(b) at the Disclosing Party's request seek to persuade the court, agency or authority to have such information treated in a confidential manner, where this is possible under the court, agency or authority's procedures; or

18.2.4 in the case of Confidential Information disclosed by Lipoxen to SIIL, is disclosed to actual or potential Customers of Licensed Products in so far as such disclosure is reasonably required to promote the sale or use of Licensed Products provided that the Customer signs a written confidentiality undertakings at least as restrictive as those set out in this clause 18.

18.3 The Receiving Party shall procure that all of its employees and contractors who have access to any of the Disclosing Party's Confidential Information, shall be made aware of and subject to these obligations and shall have entered into written undertakings of confidentiality at least as restrictive as those set out in this clause 18.

18.4 Notwithstanding the provisions of this clause 18, each of the Parties may make press releases, publications or presentations regarding the research and development conducted pursuant to this Agreement (collectively, a "Publication"), provided that:

18.4.1 the publishing Party shall first deliver the proposed text of the Publication to the other Party for review at least 10 business days prior to submission of the Publication to any publisher or other third party;

18.4.2 the receiving party may, within 10 business days of such delivery, object to the Publication on the grounds that it would involve the disclosure of that Party's Confidential Information, or because there is patentable subject matter in which that Party has an interest which needs protection;

18.4.3 upon receipt of a written objection within the 10 business day period, the publishing Party shall delete any references to the Confidential Information of the other party and/or if requested to do so by the receiving Party shall delay disclosure of the Publication for up to one hundred and twenty (120) days from the initial delivery of the Publication to enable the filing of patent applications on any patentable subject matter;

18.4.4 the Publication acknowledges the other Party in the title of the Publication as well as the contribution of the Party to the research and development that is the subject of the publication.

18.5 The Parties acknowledge that if Confidential Information is owned:-

18.5.1 by a Party pursuant to clause 8.1, 8.2 or 8.3 it shall be deemed to have been disclosed to the other Party by the owning Party even if it was created by the other Party; and

18.5.2 jointly by the Parties pursuant to clauses 8.4 or 14.24 it shall be deemed to have been disclosed by each party to the other.

18.6 Provided that it does not disclose any Confidential Information of the other Party, each party shall be entitled to make press releases in relation to the existence of or progress of this Agreement without the prior written consent of the other Party.

18.7 The parties agree that the prices set out in Schedule 15 shall be the Confidential Information of SIIL.

19. Transfers of Know How from SIIL

[***]

[***]

[***]

[***]

[***]

[***]

[***]

[***]

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[***]

[***]

[***]

19.4 The parties acknowledge that the objectives of a technology transfer is to enable Lipoxen Technologies, a Customer and/or appointed representative of Lipoxen Technologies or a Customer, to manufacture the relevant Supply Product in the exact manner and to a standard and scale which is equivalent to that achieved by SIIL at the date of the technology transfer and which satisfies the requirements of EMEA and/or FDA relating to the transfer of the manufacture of biological pharmaceutical products. SIIL agrees to use its best endeavours to achieve that objective and agrees that a technology transfer will not be deemed to be complete until the party receiving the technology transfer, being Lipoxen Technologies or a Customer and/or the appointed representative of Lipoxen Technologies or a Customer, is able to manufacture three batches of the relevant Supply Product which are consistent in terms of:-

19.4.1 specification to a specification (a) equivalent to that to which SIIL was making and supplying the relevant Supply Product at the time of the technology transfer; or (b) which is acceptable to the regulatory authorities in the country in which the relevant Supply Product will be used and/or sold, provided that if the specification is different from the specification, to which SIIL is manufacturing and supplying the relevant Supply Product at the time, then SIIL will take reasonable efforts to see that the technology transfer meets the requirements of the regulatory authorities; and

19.4.2 quality with the relevant Supply Product as manufactured by SIIL at the date of the relevant technology transfer;

[***]

19.5 Lipoxen acknowledges that on receipt of the technology transfer, it will comply at all times with the restriction in clause 7.7 in relation to use of the Serum Cell Line.

19.6 The parties agree that first time that Lipoxen or a Sub-licensee exercises its rights under this clause 19 to a transfer of technology in relation to in relation to EPO and/or PSA EPO , SIIL shall have a right by notice in writing to Lipoxen PLC (to be received by Lipoxen PLC within thirty (30) days of service of the notice seeking the relevant technology transfer) to trigger the capitalisation procedures set out in clauses 9.11 to 9.15 of this Agreement.

19.7 The parties agree that, subject to clauses 19.8, 19.9 and 9.13, SIIL shall not be able to charge a fee in respect of any technology transfer (including the transfer of any cell lines) in relation to any of the Supply Products as SIIL agrees that its entire compensation in relation to any such technology transfer shall:-

19.7.1 be satisfied by the royalty to be paid to SIIL under clause 9.4.2 of this Agreement; and/or

19.7.2 be satisfied via the compensation paid to SIIL pursuant to clauses 9.11 to 9.15 of this Agreement which, for the avoidance of doubt, shall only ever be paid once.

[***]

[***]

[***]

[***]

[***] SIIL agrees that if no sums have previously been paid to SIIL under clause 19.8 and Lipoxen and/or a Sub-licensee calls for a transfer of the Serum Cell Line but agrees that the right to use the Serum Cell Line will be limited to the CIS, [***]

[***]

19.9.2 [***].

19.10 SIIL agrees that in no circumstances shall it cease to supply any Supply Product to Lipoxen Technologies and/or a Customer which is the subject of a technology transfer until at least twelve (12) months after the transfer has been successfully completed to the entire satisfaction of Lipoxen Technologies and/or its Customer.

19.11 SIIL agrees that if SIIL is in breach of any of the terms of this clause 19, Lipoxen Technologies shall be entitled to withhold payments due to SIIL under clause 9 of this Agreement until such time as the breach has been remedied by SIIL.

19.12 If the parties cannot agree the matters referred to in clauses 19.3 and 19.4 in the thirty day period specified, or if any other dispute arises in relation to the provisions of this clause 19, the parties can refer the matter to an expert for determination in accordance with the procedure set out in Schedule 21 of this Agreement, but any fee as set out in clause 19.8 in respect of Serum Cell Line transfer shall be subject to the considerations stated and the minimum and maximum amounts set out in clause 19.8.

19.13 The parties agree that SIIL shall not be obliged to conduct a technology transfer pursuant to this clause 19 in relation to the same Supply Product to the same Customer (or its representative) more than once but:-

19.13.1 a transfer of technology to one Customer shall not exhaust the rights of another Customer to call for a technology transfer under this clause 19; and

19.13.2 a transfer of technology in relation to one Supply Product shall not exhaust a Customer's rights to call for a technology transfer under this clause 19 in relation to another Supply Product;

PROVIDED THAT, once SIIL has successfully completed the first technology transfer in relation to a particular Supply Product, SIIL shall be entitled to charge at cost only for the time incurred by SIIL personnel and the reasonable expenses of the personnel (including flights, accommodation and sustenance) in relation to a second and subsequent technology transfer relating to the same Supply Product.

19.14 Once SIIL has successfully completed a technology transfer to Lipoxen and/or a Customer in relation to a Supply Product, SIIL shall thereafter not have any liability to Lipoxen and/or the relevant Customer, whether in contract, tort, negligence or otherwise for any loss or damage arising out of and/or in connection with any research, development, manufacture, use, distribution, sale or supply of the relevant Supply Product by Lipoxen and/or the Customer unless such loss or damage relates to or results from a breach by SIIL of any of the warranties set out in this Agreement.

20. Duration and termination

20.1 This Agreement shall come into effect on the Effective Date and shall continue until terminated earlier in accordance with this clause 20.

20.2 Without prejudice to any other right or remedy, any of the Parties may terminate this Agreement in whole or in part at any time by notice in writing to the other Party ("Other Party"), such notice to take effect as specified in the notice, if the Other Party is in material breach of this Agreement and, in the case of a breach capable of remedy, the breach is not remedied within 90 days of the Other Party receiving notice specifying the breach and requiring its remedy.

20.3 Lipoxen may terminate this Agreement if SIIL is not able to prove that in any six month period from 1 January to 30 June and/or in any six month period from 1 July to 31 December, SIIL has committed a minimum of one hundred and fifty (150) man hours to the research and development of PSA EPO.

20.4 Without limitation to clause 20.2, Lipoxen shall be entitled to terminate this Agreement on written notice to SIIL with immediate effect if SIIL is in breach of clauses 5.10, 5.13 or 5.15 of this Agreement, provided that any delay in the timelines on account of delay in the grant and/or notification to SIIL of relevant approvals and/or permissions from the offices of the Drug Controller Authorities of India and relevant Government Of India authorities will not amount to a breach by SIIL provided that:-

20.4.1 the relevant stage of the timeline could not be met without the grant of such approvals and/or permissions; and

20.4.2 Lipoxen PLC received notice in writing from Serum at the time the application was made by Serum for the relevant approval and/or permission.

20.5 Without prejudice to Lipoxen other rights or remedies, Lipoxen may terminate this Agreement if:-

20.5.1 control (as defined in Section 840 of the Income and Corporation Taxes Act 1988) of SIIL shall be acquired by any person, or group of Connected Persons (as defined by Section 839 of the Income and Corporation Taxes Act 1988), not having control of SIIL at the date of this Agreement; and/or

20.5.2 if SIIL ceases to carry on the business of making PSA other than as a result of negligible demand for PSA; and/or

20.5.3 if SIIL ceases to carry on the business of making PSA EPO other than as a result of negligible demand for PSA EPO;

[***]

20.6 Lipoxen may terminate this Agreement with immediate effect by giving written notice to SIIL if SIIL or any of its Affiliates commences legal proceedings, or assists any third party to commence legal proceedings, to challenge the:-

20.6.1 validity of any of the PolyXen Patents and/or the PSA Patents;

20.6.2 the ownership of any of the PolyXen Patents and/or the PSA Patents (unless such patent is alleged to be Foreground and/or PSA Foreground in which case the commencement of legal proceedings will not give rise to a right to terminate the Agreement); or

20.6.3 to challenge the secrecy or substantiality of any of the PolyXen Know How and/or the PSA Know How (unless such know how is alleged to be Foreground and/or PSA Foreground in which case the commencement of legal proceedings will not give rise to a right to terminate the Agreement).

21. Consequences of termination

21.1 Upon termination or expiry of this Agreement for any reason:

21.1.1 each party shall within 30 days of the date of termination or expiry pay to the others all sums due to it under this Agreement in respect of the period up to and including the date of termination or expiry, including, without limitation, any royalties payable on Licensed Products sold or supplied prior to or on the date of termination;

21.1.2 any rights or remedies of each of the parties arising from any breach of this Agreement shall continue to be enforceable;

21.1.3 SIIL shall be entitled to sell, use or otherwise dispose of (subject to payment of royalties under clause 9.1) any unsold or unused stocks manufactured prior to expiry or termination of:- (a) PSA EPO to any party for the period equivalent to the shelf life of PSA EPO; and (b) in case of PSA, to Customers for a period of 6 months following the date of expiry or termination;

21.1.4 subject to clause 21.1.3, SIIL shall no longer be licensed to use or otherwise exploit in any way, either directly or indirectly, the Licensed Rights and SIIL shall, and shall procure that its Appointed CRO shall, unless required by regulators to complete a clinical trial in relation to a cohort of patients being dosed at the time of expiry and/or termination, which cohort shall be entitled to complete the relevant trial, forthwith cease all activities requiring a licence under this Agreement;

21.1.5 SIIL shall forthwith cease manufacturing PSA and PSA EPO under this Agreement;

21.1.6 SIIL shall consent to the cancellation of any formal licence granted to it, or of any registration of it in any register, in relation to any of the Lipoxen Patents;

21.1.7 each party shall return to the other within a reasonable period of time all Confidential Information and any copies thereof disclosed to it by the other party;

21.1.8 SIIL shall provide to Lipoxen Technologies a detailed report setting out the progress it has made with the Development Programme;

21.1.9 SIIL shall provide to Lipoxen Technologies all data (including without limitation clinical trials data), know how and materials generated by SIIL pursuant to this Agreement, the Licence Agreement, the Letter Amendments, the Supplemental Agreement and/or the DMA and comply with its obligations pursuant to clauses 7. 4 and/or 14.23 of this Agreement;

21.1.10 the SIIL Licence shall, subject to clause 9.4, continue with full force and effect but shall become world wide;

21.1.11 to the extent that title has not previously passed to Lipoxen Technologies pursuant to this Agreement, SIIL shall assign to Lipoxen Technologies all of the Foreground and PSA Foreground;

21.1.12 at Lipoxen's Technologies option SIIL shall return to Lipoxen Technologies or destroy all other data, know how and materials provided to SIIL by Lipoxen Technologies and/or generated by SIIL in connection with the provision of the Services;

21.1.13 SIIL shall return to Lipoxen Technologies and/or destroy to the entire satisfaction of Lipoxen Technologies any and all cell lines used by SIIL to make PSA;

21.1.14 at the request of Lipoxen Technologies, SIIL shall assign to Lipoxen Technologies any or all of the agreements between SIIL and an Appointed CRO;

21.1.15 comply with the provisions of clauses 7.4 and 14.2.3 in relation to transfer of technology; and

21.1.16 the following clauses shall continue in full force and effect: 1, 2, 3, 4.3, 4.4, 5.8, 5.19, 6.1, 6.8, 7, 8, 9.1 to 9.7 (in so far as it relates to product manufactured prior to termination or expiry but sold thereafter as set allowed by clause 21.1) 10, 11.1, 11.5, 14.15, 14.21 to 14.30, 15, 17, 18, 19, 21, 22.

21.2 If Lipoxen Technologies terminates this Agreement pursuant to clause 21.4, Lipoxen Technologies agrees that if it receives any Net Revenues in respect of a Successful PSA EPO Product, then Lipoxen Technologies shall use any such Net Revenues to compensate SIIL for any costs and expenses reasonably incurred by SIIL prior to the date of termination of this Agreement in relation to Clinical Trials relating to the relevant Successful PSA EPO Product.

22. General

Force majeure

22.1 Neither Party shall have any liability or be deemed to be in breach of this Agreement for any delays or failures in performance of this Agreement which result from circumstances beyond the reasonable control of that Party, including without limitation labour disputes involving that Party. The Party affected by such circumstances shall promptly notify the other Party in writing when such circumstances cause a delay or failure in performance and when they cease to do so.

Amendment

22.2 This Agreement may only be amended in writing signed by duly authorised representatives of Lipoxen Technologies, Lipoxen PLC and the SIIL.

Assignment and third party rights

22.3 Subject to clause 22.4 below, none of the Parties shall assign, mortgage, charge or otherwise transfer any rights or obligations under this Agreement, nor any of the Licensed Rights, without the prior written consent of the other Party.

22.4 Each of the Parties may assign all of its rights and obligations under this Agreement together with its rights in the Licensed Rights to any company to which it transfers all of its assets or business, PROVIDED that the assignee undertakes to the other Party to be bound by and perform the obligations of the assignor under this Agreement. However a Party shall not have such a right to assign this Agreement if it is insolvent or any other circumstance described in clause 20 applies to it.

Waiver

22.5 No failure or delay on the part of either Party to exercise any right or remedy under this Agreement shall be construed or operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude the further exercise of such right or remedy.

Invalid clause

22.6 If any provision or part of this Agreement is held to be void or invalid, amendments to this Agreement may be made by the addition or deletion of wording as appropriate to remove the void or invalid part or provision but otherwise retain the provision and the other provisions of this Agreement to the maximum extent permissible under applicable law. The Parties shall endeavour to agree amendments to such void or invalid provisions in a reasonable manner so as to achieve the original intention of the parties.

Change of Control

22.7 Subject to clause 20.5, any substantial change in the management and control of either of the Parties and/or any merger of either of the Parties with another entity shall not result in termination of this Agreement and it shall be the responsibility of the then existing management of the Party to see that the continuity of this Agreement is maintained in all respects and the management stepping out shall make aware the terms of this agreement to the management who is stepping into to control the Party.

Formal licences

22.8 The Parties shall execute such formal licences as may be necessary or appropriate for registration of the rights granted under this Agreement with Patent Offices and other relevant authorities. The Parties shall use reasonable endeavours to ensure that, to the extent permitted by relevant authorities and unless required to submit this Agreement by any order of law, this Agreement shall not form part of any public record.

Role of Parties

22.9 The parties hereto expressly understand and agree that Lipoxen Technologies, Lipoxen PLC and SIIL are independent contractors in the performance of each and every part of this Agreement. Subject to the provisions of clauses 8.4 and14.24 relating to joint ownership of Foreground and PSA Foreground, nothing contained herein shall be construed as creating any agency, partnership or other form of joint enterprise between the Parties.

Interpretation

22.10 In this Agreement:

22.10.1 the headings are used for convenience only and shall not affect its interpretation;

22.10.2 references to persons shall include incorporated and unincorporated persons; references to the singular include the plural and vice versa; and references to the masculine include the feminine;

22.10.3 references to clauses and Schedules mean clauses of, and schedules to, this Agreement; and

22.10.4 references to the grant of "exclusive" rights shall mean that the person granting the rights shall neither grant the same rights (in the same field and territory) to any other person, nor exercise those rights itself.

Notices

22.11 Any notice to be given under this Agreement shall be in writing and shall be sent by first class mail or air mail, or by fax (confirmed by first class mail or air mail) to the address of the relevant Party set out at the head of this Agreement, or to the relevant fax number

set out below, or such other address or fax number as that Party may from time to time notify to the other Party in accordance with this clause 22.11. The fax numbers of the Parties are as follows: Lipoxen Technologies and Lipoxen PLC +44 20 7389 5011; SIIL 91 20 26993970.

22.12 Notices sent as specified in clause 22.11 shall be deemed to have been received three working days after the day of posting (in the case of inland first class mail), or ten working days after the date of posting (in the case of air mail), or on the next working day after transmission (in the case of fax messages, but only if a transmission report is generated by the sender's fax machine recording a message from the recipient's fax machine, confirming that the fax was sent to the number indicated above and confirming that all pages were successfully transmitted).

Anti-poaching Provisions

22.13 Neither party shall, and shall procure that none of its Affiliates shall, during the term of this Agreement and for a period of twelve (12) months after the termination of this Agreement, without the prior written agreement of the other:-

22.13.1 employ or offer to employ, or enter into a contract for the services of, any individual who was, during the term of this Agreement, an employee holding an executive or managerial position with, or an officer of, the other party or any of its Affiliates; or

22.13.2 entice, solicit or procure any such person to leave the employment of the other party or its Affiliate (or attempt to do so) whether or not that person would commit any breach of contract in leaving such employment; or

22.13.3 procure or facilitate the making of any such offer or attempt by any such person.

Law and Jurisdiction

22.14 The validity, construction and performance of this Agreement shall be governed by the law of the State of New York, USA. Any disputes arising from or relating to this Agreement shall be subject to the exclusive jurisdiction of the courts of the State of New York, USA, to which the parties hereby irrevocably submit, except that a Party may seek an interim injunction in any court of competent jurisdiction.

Further action

22.15 Each of the Parties agrees to execute, acknowledge and deliver such further instruments, and do all further similar acts, as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

Entire agreement

22.16 This Agreement, including its Schedules, sets out the entire agreement between the Parties relating to its subject matter and supersedes all prior oral or written agreements,

arrangements or understandings between them relating to such subject matter. The Parties acknowledge that they are not relying on any representation, agreement, term or condition which is not set out in this Agreement provided that nothing in this Agreement shall exclude a party's liability for fraud.

Third parties

22.17 With the exception of any rights expressly created in this Agreement in favour of Affiliates of Lipoxen Technologies and/or Customers (which rights may be enforced directly against SIIL), this Agreement does not create any right enforceable by any person who is not a party to it.

AGREED by the Parties through their authorised signatories in the presence of the witnesses listed below:

For and on behalf of Lipoxen Technologies Ltd	For and on behalf of Serum Institute of India Limited
Signed	Signed
Print name	Print name [***]
Title	Title [***]
Date	Date
Witnessed on behalf of Lipoxen Technologies Ltd	Witnessed on behalf of Serum Institute of India Limited
Signed	Signed

Print name

Title

Date

Print name

Title

Date

Witnessed on behalf of
Lipoxen Technologies Ltd

Signed

Print name

Title

Date

For and on behalf of
Lipoxen PLC

Signed

Print name

Title

Date

Witnessed on behalf of Lipoxen PLC

Signed

Print name

Title

Date

Witnessed on behalf of
Lipoxen PLC

Signed

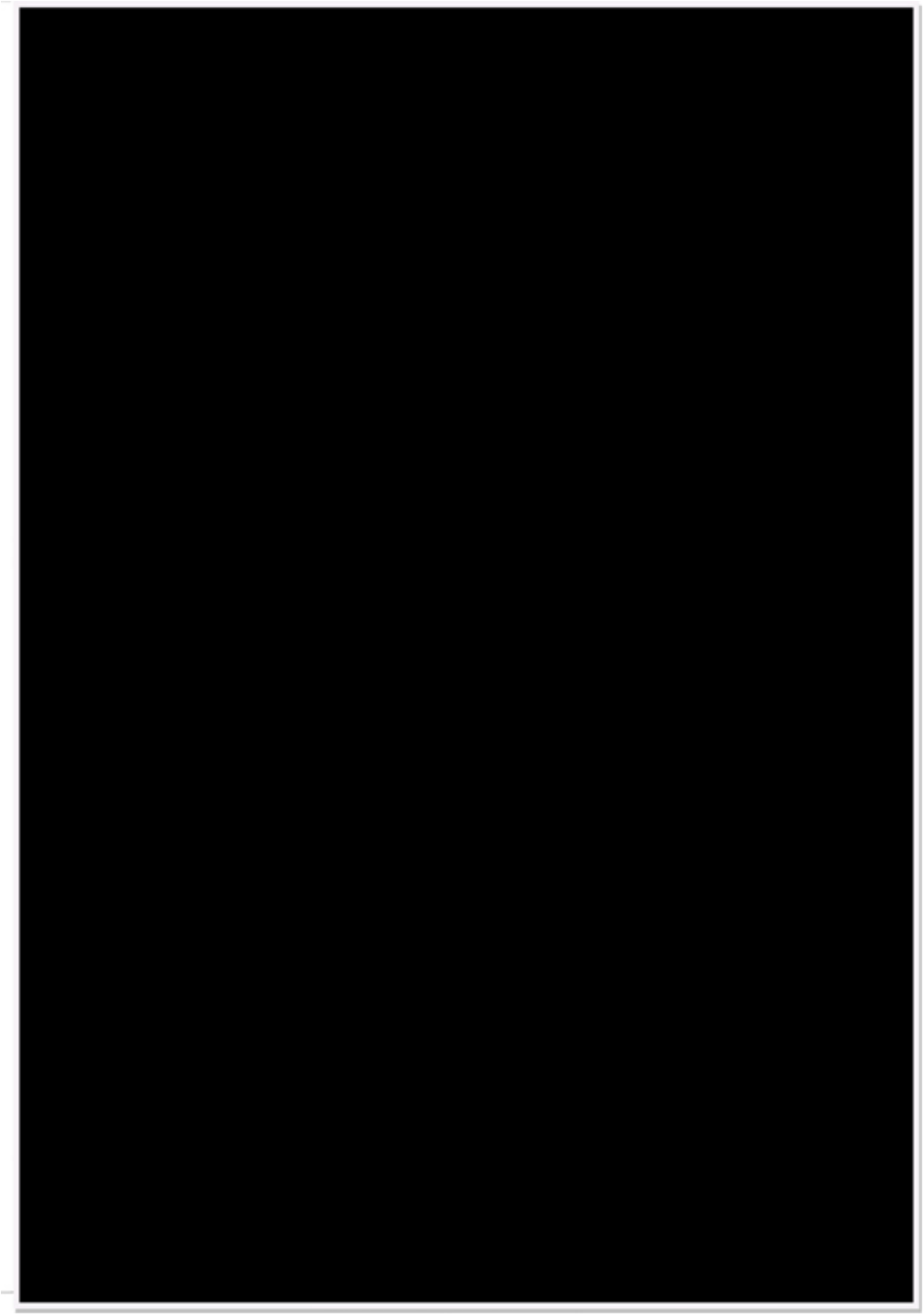
Print name

Title

Date

Schedule 1

Development Programme for PSA EPO in Indication A by SIIL in SIIL Territory



Schedule 2

PolyXen Patents

Schedule 2

PolyXen Patents

Schlich Ref	Country	Client Ref	Title	Status	App Date	App No.	Grant Date	Grant No.
Glycopolysialylation (Glycopolysialylation of Non-Blood Coagulation Proteins)								
P39650WO	PCT	Glycopolysialylation	Glycopolysialylation of Non-Blood Coagulation Proteins	Pending	26/07/2010	PCT/GB2010/001422		
P39650US	USA	Glycopolysialylation	Glycopolysialylation of Non-Blood Coagulation Proteins	Pending	26/07/2010	12/843,284		
Maleimido - PSA (Polysialic Acid Derivatives) - Divisional								
P39617USD 1	USA	Maleimido - PSA	Polysialic Acid Derivatives	Pending	12/08/2004	12/717,073		

Maleimido - PSA Polysialic Acid Derivatives								
P39617US	USA	Maleimido - PSA	Polysialic Acid Derivatives	Granted	12/08/2004	10/568,111	06/04/2010	7,691,826
P39617RU	Russian Federation	Maleimido - PSA	Polysialic Acid Derivatives	Granted	12/08/2004	2006107545	27/06/2008	2327703
P39617KR	Korea, South	Maleimido - PSA	Polysialic Acid Derivatives	Pending	12/08/2004	2006-7002875		
P39617IT	Italy	Maleimido - PSA	Polysialic Acid Derivatives	Granted	12/08/2004	4768054.1	03/10/2007	1654289
P39617IND1	India	Maleimido - PSA	Polysialic Acid Derivatives	Pending	12/08/2004	812/DELNP/2009		
P39617IN	India	Maleimido - PSA	Polysialic Acid Derivatives	Granted	12/08/2004	903/DELNP/2006	19/08/2009	235740
P39617GB	United Kingdom	Maleimido - PSA	Polysialic Acid Derivatives	Granted	12/08/2004	4768054.1	03/10/2007	1654289
P39617FR	France	Maleimido - PSA	Polysialic Acid Derivatives	Granted	12/08/2004	4768054.1	03/10/2007	1654289
P39617ES	Spain	Maleimido - PSA	Polysialic Acid Derivatives	Granted	12/08/2004	4768054.1	03/10/2007	1654289
P39617DE	Germany	Maleimido - PSA	Polysialic Acid Derivatives	Granted	12/08/2004	4768054.1	03/10/2007	1654289 (602004009314.9)
P39617CH	Switzerland	Maleimido - PSA	Polysialic Acid Derivatives	Granted	12/08/2004	4768054.1	03/10/2007	1654289
Monofunctional PSA (Sialic Acid Derivatives for Protein Derivatisation and Conjugation)								
P39607US	USA	Monofunctional PSA	Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Granted	12/08/2004	10/568,043	05/10/2010	7,807,824

P39607RU	Russian Federation	Monofunctional PSA	Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	12/08/2004	2006107546		
P39607KR	Korea, South	Monofunctional PSA	Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	12/08/2004	2006-7002900		
P39607JP	Japan	Monofunctional PSA	Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Granted	12/08/2004	2006-523058	13/08/2010	4566194
P39607IN	India	Monofunctional PSA	Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	12/08/2004	985/DELNP/2006		
P39607EP	EPO	Monofunctional PSA	Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	12/08/2004	4768074.9		
Monofunctional PSA (Sialic Acid Derivatives for Protein Derivatisation and Conjugation) – Divisional								
P39607USD1	USA	Monofunctional PSA Div	Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	12/08/2004	12/897,523		
NHS Functional PSA (Activated Sialic Acid Derivatives for Protein Derivatisation and Conjugation)								
P39608US	USA	NHS Functional PSA	Activated Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	16/02/2006	11/816,823		
P39608JP	Japan	NHS Functional PSA	Activated Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	16/02/2006	2007-555696		

P39608IN	India	NHS Functional PSA	Activated Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	16/02/2006	6400/DELNP/2007		
P39608EP	EPO	NHS Functional PSA	Activated Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	16/02/2006	6709777.4		
P39608CN	China	NHS Functional PSA	Activated Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Pending	16/02/2006	2.0068E+11		
P39608 Priority	EPO	NHS Functional PSA	Activated Sialic Acid Derivatives for Protein Derivatisation and Conjugation	Withdrawn	23/02/2005	5251017.9		
NHS-Amino PSA Reactions (Sialic Acid Derivatives)								
P39609US	USA	NHS-Amino PSA Reactions	Sialic Acid Derivatives	Granted	12/08/2005	11/660,128	25/01/2011	7,875,708
P39609JP	Japan	NHS-Amino PSA Reactions	Sialic Acid Derivatives	Pending	12/08/2005	2007-525356		
P39609IN	India	NHS-Amino PSA Reactions	Sialic Acid Derivatives	Pending	12/08/2005	1100/DELNP/2007		
P39609EP	EPO	NHS-Amino PSA Reactions	Sialic Acid Derivatives	Pending	12/08/2005	5794259.1		

NHS-Amino PSA Reactions (Sialic Acid Derivatives) - Divisional								
P39609USD1	USA	NHS-Amino PSA Reactions (Divisional)	Sialic Acid Derivatives	Pending	12/08/2005	12/987,878		
N-terminal polysialylation (N-Terminal Derivatisation of Proteins with Polysaccharides)								
P39613US	USA	N-terminal polysialylation	N-Terminal Derivatisation of Proteins with Polysaccharides	Pending	25/07/2007	12/375,012		
P39613JP	Japan	N-terminal polysialylation	N-Terminal Derivatisation of Proteins with Polysaccharides	Pending	25/07/2007	2009-521342		
P39613IN	India	N-terminal polysialylation	N-Terminal Derivatisation of Proteins with Polysaccharides	Pending	25/07/2007	573/DELNP/2009		
P39613EP	EPO	N-terminal polysialylation	N-Terminal Derivatisation of Proteins with Polysaccharides	Pending	25/07/2007	7766361.5		
N-terminally-polysialylated GCSF (Derivatisation of Granulocyte Colony- Stimulating Factor)								
P39606US	USA	N-terminally- polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Pending	25/07/2007	12/375,006		
P39606JP	Japan	N-terminally- polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Pending	25/07/2007	2009-521336		
P39606IT	Italy	N-terminally- polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Granted	25/07/2007	7789047.3	12/05/2010	2041167

P39606IN	India	N-terminally-polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Pending	25/07/2007	572/DELNP/2009			
P39606GB	United Kingdom	N-terminally-polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Granted	25/07/2007	7789047.3	12/05/2010	2041167	
P39606FR	France	N-terminally-polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Granted	25/07/2007	7789047.3	12/05/2010	2041167	
P39606ES	Spain	N-terminally-polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Granted	25/07/2007	7789047.3	12/05/2010	2041167	
P39606EP	EPO	N-terminally-polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Granted	25/07/2007	7789047.3	12/05/2010	2041167	
P39606DE	Germany	N-terminally-polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Granted	25/07/2007	7789047.3	12/05/2010	60 2007 006 492.9-08 (EP 2041167)	
P39606CH	Switzerland	N-terminally-polysialylated GCSF	Derivatisation of Granulocyte Colony-Stimulating Factor	Granted	25/07/2007	7789047.3	12/05/2010	2041167	
Polysaccharide B in DDS (Pharmaceutical Compositions)									
P39674US	USA	Polysaccharide B in DDS	Pharmaceutical Compositions	Granted	08/06/1992	08/431474	08/12/1998	5846951	
Polysialylated Insulin (N-Terminal Polysialylation)									
P39612US	USA	Polysialylated Insulin	N-Terminal Polysialylation	Pending	25/07/2007	12/375,010			

P39612RU	Russian Federation	Polysialylated Insulin	N-Terminal Polysialylation	Pending	25/07/2007	2009105696		
P39612KR	Korea, South	Polysialylated Insulin	N-Terminal Polysialylation	Pending	25/07/2007	2009-7003805		
P39612JP	Japan	Polysialylated Insulin	N-Terminal Polysialylation	Pending	25/07/2007	2009-521337		
P39612IN	India	Polysialylated Insulin	N-Terminal Polysialylation	Pending	25/07/2007	571/DELNP/2009		
P39612EP	EPO	Polysialylated Insulin	N-Terminal Polysialylation	Pending	25/07/2007	7789051.5		
P39612CN	China	Polysialylated Insulin	N-Terminal Polysialylation	Pending	25/07/2007	2.0078E+11		
Polysialylation in SDS (Derivatisation of Proteins in Aqueous Solution)								
P39671IT	Italy	Polysialylation in SDS	Derivatisation of Proteins in Aqueous Solution	Granted	14/05/2001	1931843.5	21/12/2005	1335931
P39671GB	United Kingdom	Polysialylation in SDS	Derivatisation of Proteins in Aqueous Solution	Granted	14/05/2001	1931843.5	21/12/2005	1335931
P39671FR	France	Polysialylation in SDS	Derivatisation of Proteins in Aqueous Solution	Granted	14/05/2001	1931843.5	21/12/2005	1335931
P39671ES	Spain	Polysialylation in SDS	Derivatisation of Proteins in Aqueous Solution	Granted	14/05/2001	1931843.5	21/12/2005	1335931
P39671DE	Germany	Polysialylation in SDS	Derivatisation of Proteins in Aqueous Solution	Granted	14/05/2001	1931843.5	21/12/2005	1335931 (60116137.8)
P39671CH	Switzerland	Polysialylation in SDS	Derivatisation of Proteins in Aqueous Solution	Granted	14/05/2001	1931843.5	21/12/2005	1335931

Polysialylation of EPO (Polysaccharide Derivatives of Erythropoietin)

P39614US	USA	Polysialylation of EPO	Polysaccharide Derivatives of Erythropoietin	Pending	25/07/2007	12/375,008
P39614JP	Japan	Polysialylation of EPO	Polysaccharide Derivatives of Erythropoietin	Pending	25/07/2007	2009-521343
P39614EP	EPO	Polysialylation of EPO	Polysaccharide Derivatives of Erythropoietin	Pending	25/07/2007	7766363.1

Schedule 3

PSA

Chemical structure of the alpha-2,8-linked form of polysialic acid (PSA), also known as ‘colominic acid’.

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Lipoxen *SIIL*

Schedule 4

PSA EPO

PSA conjugated Erythropoietin (PSA EPO) will use Erythropoietin [***]. EPO to be produced using the Serum Cell Line. The resulting conjugate will comprise a mono-PSA Erythropoietin conjugate having [***] assessed using appropriate methods and will exhibit greater or equal *in vivo* half life to that of Mircera, in human clinical testing, pharmaceutical preparations of the conjugate having said molecules as an active ingredient and administered in appropriate dosage form and schedule.

In the SIIL Territory, SIIL shall be entitled to use PSA as specified in Part D of Schedule 25 of this Agreement.

Schedule 5

PSA EPO Specifications

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Lipoxen *SIIL*

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Schedule 6

PSA Patents

Title	Publication No.	Patent No.
Endotoxin Removal Patent	WO 2008/104811 A1	PCT/GB2008/050138
Fractionation Patent	WO 2006/016161 A1	PCT/GB2005/003149

Lipoxen *SIIL*

Schedule 7

Provisions Relating to the Issue of Shares to SIIL

1. Interpretation

In this Schedule the following words and expressions have the following meanings:

"AIM"		means the market of that name operated by the London Stock Exchange;
"AIM Rules"		means the AIM Rules for Companies published by the London Stock Exchange as for the time being in force;
"dispose"		includes, mortgaging, pledging, charging, lending, assigning, selling, transferring or otherwise disposing of the relevant securities or agreeing to dispose of any relevant securities or otherwise encumbering the relevant securities;
"Lock-Up Shares"	(a)	the Consideration Shares;
	(b)	the Subscription Shares;
	(c)	the Warrant Shares; and
	(d)	all other ordinary shares into which any of the above shares are sub-divided or converted, or issued by way of bonus issue or otherwise derived from such shares (whether by way of consolidation, sub-division, capitalisation, rights issue or otherwise)
"London Stock Exchange"		means the London Stock Exchange plc;
"Consideration Shares"		[***] new ordinary shares of 0.5 pence each in the capital of Lipoxen PLC to be allotted to SIIL;
"SIIL Shares"		the Consideration Shares and the Subscription Shares;
"Subscription Price"		means equal to 11 pence per Subscription Share multiplied by the number of Subscription Shares;
"Subscription Shares"		means [***] new ordinary shares of 0.5 pence each in the capital of Lipoxen PLC, and "Subscription Share" shall be construed accordingly; and

"Warrant Shares"	means up to [***] ordinary shares of 0.5 pence each in the capital of Lipoxen PLC which may be issued to SIIL pursuant to the term of a warrant instrument to be executed on or around the date hereof.

2. Consideration Shares

2.1 On the Allotment Date, Lipoxen PLC shall allot and issue the Consideration Shares to SIIL and shall use its reasonable endeavours to ensure the admission of the Consideration Shares to trading on AIM. Following allotment of the aforesaid Lipoxen PLC shall deliver to SIIL a copy, certified to be a true copy by a director or secretary of Lipoxen PLC, of a resolution of the board of directors of Lipoxen PLC (or a duly authorised committee of that board) authorising the allotment and issue of the Consideration Shares referred to in this paragraph 2 and shall procure that SIIL shall be entered in the register of members of Lipoxen PLC as the holder of the Consideration Shares.

2.2 These Consideration Shares are being allotted and issued to SIIL in consideration of the surrender of Licenses by SIIL for products as referred in Clause 3 and Schedule 11 and for the developmental work done on PSA EPO.

3. **Further Subscription**

3.1 SIIL further agrees to subscribe for, and Lipoxen PLC agrees, subject to receipt of the Subscription Price pursuant to paragraph 3.2 below, to issue and allot, the Subscription Shares to SIIL on the Allotment Date.

3.2 In consideration for the agreement to allot the Subscription Shares pursuant to this paragraph 3, SIIL hereby agrees to pay or procure payment of the Subscription Price to Lipoxen PLC by 5 p.m. (London time) on the Allotment Date or earlier.

3.3 The Subscription Shares shall be credited as fully paid up on the date of allotment by Lipoxen PLC.

3.4 Following allotment of the Subscription Shares Lipoxen PLC shall procure that SIIL shall be entered in the register of members of Lipoxen PLC as the holder of the Subscription Shares and shall deliver to SIIL a copy, certified to be a true copy by a director or secretary of Lipoxen PLC, of a resolution of the board of directors of Lipoxen PLC (or a duly authorised committee of that board) authorising the allotment and issue of the Subscription Shares.

3.5 Lipoxen PLC shall immediately notify SIIL in writing when the Placing occurs.

4. Lock in

4.1 SIIL hereby undertakes that it will, and will procure that its connected persons and nominees will, retain absolute legal and beneficial title to the Lock-Up Shares, free from encumbrances for a period commencing on the date of issue of the SIIL Shares and ending twenty four (24) months thereafter (the "**Lock Up Period**") and shall not during the Lock Up Period:

4.1.1 offer, dispose of or agree to offer or dispose of, directly or indirectly, any such Lock-Up Shares or any legal or beneficial interest in any such Lock-Up Shares; and/or

4.1.2 enter into or agree to enter into any derivative transaction of any type whatsoever (including without limitation, any swap, contract for differences, option, warrant, convertible securities or futures transaction or arrangement) in respect of, or referenced to, any of such Lock-Up Shares,

whether such transaction is settled by delivery of such Lock-Up Shares or other securities, in cash or otherwise.

4.2 SIIL hereby irrevocably and unconditionally undertakes, agrees and represents to and with Lipoxen PLC in respect of the Lock-Up Shares that it shall, and shall procure that all its connected persons and nominees (as applicable) shall, for a period of twenty four (24) months commencing on expiry of the Lock-Up Period (the "**Orderly Marketing Period**"):

4.2.1 offer, dispose of or agree to offer or dispose of, directly or indirectly, any such Lock-Up Shares or any legal or beneficial interest in any such Lock-Up Shares; and/or

4.2.2 enter into or agree to enter into any derivative transaction of any type whatsoever (including without limitation, any swap, contract for differences, option, warrant, convertible securities or futures transaction or arrangement) in respect of, or referenced to, any of such Lock-Up Shares,

only through Lipoxen PLC's corporate brokers or financial advisers from time to time, unless SIIL has previously informed Lipoxen PLC of the proposed disposal or transaction and Lipoxen PLC has agreed in writing, such consent not to be unreasonably withheld, that the disposal or transaction may be effected through SIIL's existing brokers.

Schedule 8

Serum Cell Line

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Schedule 9

Serum EPO Specification

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Schedule 10

Timetable

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Schedule 11

Products in relation to which SIIL's rights will cease in relation to which SIIL will cease all research and development

Products as defined in the Licence Agreement, Supplemental Agreement, the Letter Amendments and/or the DMA

PSA Conjugated Non-Glycosylated EPO;

Polysialyated Doxorubicin;

Polysialyated GCSF;

Polysialyated Interferon Alpha;

Polysialyated Liposomal Doxorubicin;

Liposomal Doxorubicin;

Liposomal Pneumococcal;

Liposomal Rabies;

Liposomal Hib

Liposomal Carboplatin;

Liposomal Cisplatin;

Liposomal Co-delivery HIV;

Liposomal Oral Tetanus Toxoid;

Liposomal Paclitaxel;

Schedule 12

Milestones and dates

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Schedule 13

Royalty Statements

1. In respect of each country where Licensed Products were sold or supplied during that Quarter:

   1.0 the Net Sales Value of each type of Licensed Product sold or supplied expressed both in the currency of sale and in US dollars together with conversion rates used;

   1.1 the amount of any amounts deducted from the invoiced price in accordance with the definition of Net Sales Value;

   1.2 the royalty rate applicable to each type of Licensed Product sold or supplied in that country;

   1.3 the calculation of the royalties payable in respect of each type of Licensed Product; and

   1.4 the total amount of royalties payable in respect of that country.

2. For the SIIL Territory as a whole:

   2.0 the total amount of royalties payable under clause 9.1;

   2.1 the amount of any withholding tax deducted pursuant to clause 15.1.3.

Schedule 14
Information to be provided to Lipoxen Technologies

- Preparation of PSA EPO conjugate
- Purification and characterisation of PSA EPO conjugate (including peptide mapping etc)
- Stability studies of the PSA EPO formulation (with and without HSA or any other formulation added in)
- Toxicity Studies relating to PSA EPO
- Application for Phase I, II or III trial to Drug Controller General of India
- Manufacturing methods for PSA

Schedule 15

Price of Supply Products

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Schedule 16

Specification for PSA cell line

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Schedule 17

SIIL PSA IP

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Schedule 18

Serum Cell Line – IP

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Schedule 19

IP of SIIL Needed or Desirable to manufacture PSA

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Schedule 20

IP developed by SIIL pursuant to the DMA

NIL

Schedule 21
Expert Determination – Procedure

1. Any question or dispute which the terms of this Agreement specifies shall be referred to an expert, may be referred to an expert in the circumstances set out in the relevant provisions of this Agreement, by either party serving on the other party notice ("Referral Notice") that it wishes to refer the question or dispute to an expert.

2. The dispute shall be determined by a single independent impartial expert who shall be agreed between the parties. In the absence of agreement between the parties within 30 days of the service of a Referral Notice, either of the parties shall be entitled to seek quotes from any of the following parties (the "Candidates") to act as expert to determine the relevant question/dispute:-

   2.0 Cambridge Consultants Limited of Science Park, Milton Road, Cambridge, CB4 0DW, or any successor thereto;

   2.1 Leerink Swann of One Federal Street, 37th Floor, Boston, MA 02110, USA, or any successor thereto; and

   2.2 Deloitte Recap of 200 Berkely Street, Boston MA, 02116, USA, or any successor thereto.

3. The parties agree that the Candidate which is prepared to accept an appointment as expert and which provides the lowest quote to do so shall be appointed as the expert to determine the relevant question/dispute.

4. 30 days after the appointment of the expert pursuant to paragraph 2 or 3, both parties shall exchange simultaneously statements of case in no more than 10,000 words, in total, and each side shall simultaneously send a copy of its statement of case to the expert.

5. Each party may, within 30 days of the date of exchange of statement of case pursuant to paragraph 3, serve a reply to the other side's statement of case in no more than 10,000 words. A copy of any such reply shall be simultaneously sent to the expert.

6. Subject to paragraph 9, there shall be no oral hearing. The expert shall issue his decision in writing to both parties within 30 days of the date of service of the last reply pursuant to paragraph 5 above or, in the absence of receipt of any replies, within 60 days of the date of exchange pursuant to paragraph 4.

7. The seat of the dispute resolution shall be the normal place of residence of the expert.

8. The language of the expert determination shall be English.

9. The expert shall not have power to alter, amend or add to the provisions of this Agreement, except that the expert shall have the power to decide all procedural matters relating to the dispute or question, and may call for a one day hearing if desirable and appropriate.

10. The expert shall have the power to request copies of any documents in the possession and/or control of the parties which may be relevant to the dispute or question. The parties shall forthwith provide to the expert and the other party copies of any documents so requested by the expert.

11. The expert shall decide the question as an expert and not as an arbitrator.

12. The decision of the expert shall be final and binding upon both parties except in the case of fraud (by either party or the expert) or manifest error. Other than in the case of fraud or manifest error, the parties hereby exclude any rights of application or appeal to any court, to the extent that they may validly so agree, and in particular in connection with any question of law arising in the course of the reference out of the award.

13. The expert shall determine the proportions in which the parties shall pay the costs of the expert procedure. The expert shall have the authority to order that all or a part of the legal or other costs of a party shall be paid by the other party.

14. All documents and information disclosed in the course of the expert proceedings and the decision and award of the expert shall be kept strictly confidential by the recipient and shall not be used by the recipient for any purpose except for the purposes of the proceedings and/or the enforcement of the expert decision and award.

15. The parties shall not make any announcement, or comment upon, or originate any publicity, or otherwise provide any information to any third party (other than its legal advisors) concerning the expert proceedings including but not limited to, the fact that the parties are in dispute, the existence of the expert proceedings, and/or any decision or award of the expert.

Schedule 22

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Schedule 24

Analytical Tests to be conducted by SIIL on Supply Products (GMP and R&D grade)

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Schedule 25

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Schedule 26

List of SIIL Affiliates at the Effective Date

POONAWALLA INVESTMENTS AND INDUSTRIES PRIVATE LIMITED

SEZ BIOTECH SERVICES PRIVATE LIMITED

EXHIBIT 10.22

DATED 23 JANUARY 2014

(1) SYNBIO LLC

and

(2) XENETIC BIOSCIENCES, INC. (PREVIOUSLY GENERAL SALES AND LEASING, INC.)

DIRECTOR APPOINTMENT AGREEMENT

THIS AGREEMENT ("**Agreement**") is dated 23rd, January 2014 and is entered into between:

(1) **SYNBIO LLC**, a limited liability company incorporated under the laws of the Russian Federation, Main State Registration Number 1117746126321, having its registered office at building 2, 55/1, Leninsky Prospekt, Moscow, 119333, Russian Federation (the "**Controlling Shareholder**"); and

(2) **XENETIC BIOSCIENCES, INC. (PREVIOUSLY GENERAL SALES AND LEASING, INC.)**, a corporation incorporated under the laws of the State of Nevada, whose principal Executive Office is at 16445 North 91st St., Suite 103, Scottsdale, Arizona 85260 USA (the "**Company**"),

(each a "**Party**" and together the "**Parties**").

WHEREAS

(A) The Company's existing shares of common stock are available for quotation on the Over-the-Counter Bulletin Board.

(B) The Company has conducted discussions with Xenetic Biosciences PLC (**Xenetic**") pursuant to which the Company has made an offer to acquire all of the issued and outstanding ordinary shares of Xenetic in exchange for shares of the Company's common stock ("**Common Stock**"), pursuant to a scheme of arrangement dated 21 November 2013 (the "**Reverse Merger**").

(C) The Controlling Shareholder owns in excess of 40% of the ordinary shares of Xenetic and would acquire substantially the same percentage of the Company in connection with the Reverse Merger.

(D) The Controlling Shareholder entered into a Relationship Deed with Xenetic, dated 28 November 2011 (the "**Relationship Deed**"), which will be terminated subject to and conditional upon completion of the Reverse Merger. This Agreement is intended to replace the Relationship Deed with effect from consummation of the Reverse Merger.

(E) As a result of the significant holdings of the Company that the Controlling Shareholder will have upon completion of the Reverse Merger, the parties wish to establish and regulate the proposed relationship between the Controlling Shareholder and the Company on an arm's length and normal commercial basis.

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, unless the context otherwise requires:

"**Associate**"	has the meaning given in Clause 3.1;
"**Board**"	means the board of directors of the Company;
"**Company**"	has the meaning given in (2) at the beginning of this Agreement;
"**Condition**"	means the approval of the scheme of arrangement (the "**Scheme**") by the Shareholders of Xenetic under Part 26 of the UK Companies Act 2006 (the "**Act**"), and the subsequent approval of the Court in relation thereto, which effectuates the acquisition by the Company of the whole of the issued and to be issued share capital of Xenetic;

"**Controlling Shareholder**"	has the meaning given in (1) at the beginning of this Agreement;
"**Controlling Shareholder Directors**"	has the meaning in Clause 4.1;
"**Independent Directors**"	means the directors of the Company, in the opinion of the Board, that would be classified as "independent directors" under the standards of a National Securities Exchange;
"**Independent Shareholders**"	means any shareholder of the Company other than the Controlling Shareholder and any Related Person;
"**Longstop Date**"	means 5 p.m. London time on 31 January 2014 or such later time and date as may, with the consent of the UK Takeover Panel, be agreed in writing between the Company and Xenetic;
"**National Securities Exchange**"	means any securities exchange that has registered with the SEC under Section 6 of the Securities Exchange Act of 1934, as amended;
"**Parent**"	means a Person that, directly or indirectly, through stock ownership, contractual rights or otherwise, exercises majority control over the Controlling Shareholder;
"**Party/Parties**"	has the meaning given in (2) at the beginning of this Agreement;
"**Person**"	means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof;
"**Related Person**"	means: (a) a trust of which the Controlling Shareholder is a beneficiary; (b) a Subsidiary or Parent; (c) any entity in which the Controlling Shareholder (directly or indirectly) owns or controls twenty five per cent (25%) or more of the share capital or voting rights (whether legally or beneficially); or (d) any entity which (directly or indirectly) owns or controls twenty five per cent (25%) or more of the share capital or voting rights (whether legally or beneficially) of the Controlling Shareholder;
"**SEC**"	means the United States Securities and Exchange Commission; and

"**Subsidiary**"	means any Person in which the Controlling Shareholder or the ultimate Parent of the Controlling Shareholder directly or indirectly, through stock ownership, contractual rights or otherwise, (i) owns any of the outstanding capital stock or holds any equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person, and all of the foregoing,

2. **CONDITIONS TO EXERCISE OF VOTING RIGHTS BY THE CONTROLLING SHAREHOLDER**

2.1 This Agreement and the rights granted by the Company to the Controlling Shareholder under it are conditional upon the Condition being satisfied at the meetings of shareholders of Xenetic and the court hearing held for the purpose of approving the Scheme. In the event that the Condition is not satisfied either because the shareholders of Xenetic or the court do not approve of the Scheme during their meetings and subsequent hearing where approval is requested, or in the event the Company withdraws its offer for other reasons, this Agreement shall be null and void. In no event, however, shall this Condition be allowed to continue unsatisfied beyond the Longstop Date, when, if still unsatisfied, it will be considered null and void.

2.2 If the Condition is not satisfied in accordance with Clause 2.1, then:

2.2.1 this Agreement shall terminate and cease to have effect on the Longstop Date; and

2.2.2 the Relationship Deed shall remain in force in relation to Xenetic.

2.3 Subject to Clauses 8.2, 2.1 and 2.2, this Agreement shall not be terminated or amended other than (i) with the sanction of a resolution approved by not less than fifty percent (50%) of the Independent Shareholders of the Company voting at a shareholders' meeting of the Company, or (ii) with the sanction of a resolution approved by not less than fifty percent (50%) of the Independent Directors of the Company in the event that either (A) a National Securities Exchange objects to either the Agreement or provisions herein, and such National Securities Exchange will not allow the Company's Common Stock to be listed on such National Securities Exchange without such termination of, or amendment to, this Agreement, or (B) there are comments or actions from the SEC that, in the opinion of the Independent Directors, indicate that this Agreement will affect the status of the Company's Common Stock or lead to its suspension on any trading exchange.

2.4 The Controlling Shareholder agrees that it will not exercise its vote on any resolution to cancel, amend or terminate this Agreement at any such shareholders' meeting.

2.5 The Controlling Shareholder further agrees that it will not, and will procure that any Controlling Shareholder Director will not, in any way participate or vote in (and will absent themselves from) the deliberations of the Board in relation to the consideration of any proposal to:

2.5.1 cancel, amend or terminate this Agreement;

2.5.2 enter into any commercial arrangements with the Controlling Shareholder or any Related Person; or

2.5.3 negotiate fees paid by or payable to the Company by or to the Controlling Shareholder or any Related Person,

save with the sanction of a resolution unanimously approved by the Independent Directors.

3. **CONTROLLING SHAREHOLDER UNDERTAKINGS**

3.1 The Controlling Shareholder agrees that for so long as it or its Related Person is a shareholder holding (directly or indirectly) over twenty five per cent (25%) of the issued and outstanding shares of the Company's Common Stock, it will ensure that at all times the Company is capable of carrying on its business independently of the Controlling Shareholder's (or such Related Person's) control, which it would otherwise be able to exercise (whether or not such control is exercisable solely or jointly with any other Person who holds voting rights over shares in the Company and who is acting by agreement with the Controlling Shareholder, whether formally or otherwise (an "**Associate**")).

3.2 The Controlling Shareholder agrees that all transactions and relationships between it or any relevant Related Person and the Company will be at arms' length and on a normal commercial basis and, in particular, that the Controlling Shareholder undertakes that neither it nor any relevant Related Person will, by virtue of holding shares in the Company:

3.2.1 seek to exercise any day to day operational or managerial control over the business of the Company or any of its subsidiaries; and/or

3.2.2 seek to influence any director, non-executive director or the Board in any way in relation to day to day operational or managerial control over the business of the Company or any of its subsidiaries or in relation to any of the matters or proposals set out above,

otherwise than through its Controlling Shareholder Directors at board meetings of the Company.

3.3 The Controlling Shareholder further undertakes that for so long as it or any Related Person is a shareholder holding (directly or indirectly) over twenty five per cent (25%) of the issued and outstanding shares of the Company's Common Stock, it shall not (and shall procure that any relevant Related Person or Associate shall not):

3.3.1 vote at any annual or special meeting of shareholders of the Company on any issue in which it or any relevant Related Person or Associate is directly or indirectly interested other than by virtue of their holding of shares in the Company; and/or

3.3.2 vote at any meeting of the Board or be counted in the quorum thereof in relation to the consideration of any matter in which the Controlling Shareholder or any relevant Related Person or Associate may be interested other than by virtue of its holding of shares in the Company.

4. **APPOINTMENTS TO THE BOARD**

4.1 For as long as the Controlling Shareholder holds at least forty per cent (40%) of the issued and outstanding shares of the Company's Common Stock, the Controlling Shareholder shall have the exclusive right (but not the obligation), voting separately as a class, from time to time to nominate two (2) non-executive directors to be appointed to the Board (together the "**Controlling Shareholder Directors**" and each a "**Controlling Shareholder Director**"). The Controlling Shareholder Directors shall be appointed by the Controlling Shareholder either at meetings of shareholders at which directors are elected or by written consent without a meeting in accordance with the

Business Corporation Law of the State of Nevada. Each Controlling Shareholder Director so elected shall serve for a term of one year and until his or her successor is elected and qualified. Any vacancy in the position of Controlling Shareholder Directors may be filled by the Controlling Shareholder.

4.2 Any such nomination for appointment or removal shall be made by giving written notice to the Company and the Company shall make the appointment or removal as soon as practicable following receipt of the written notice, provided always that the Controlling Shareholder shall only nominate a Person to be appointed who is a suitable candidate to be a director of a National Securities Exchange listed company, who has consented to so act, who is able to obtain an appropriate visa (or such other requirements for entry and permission to work as may be required) for entry into the United States in order to fulfil his/her duties as a director of the Company and who has been approved by the Board (or the Nomination Committee of the Board, as applicable) and has provided the Company and its nominated adviser with such information as they may reasonable require.

4.3 Each of the Controlling Shareholder Directors shall be entitled to receive notice of all meetings of the Board in accordance with the bylaws of the Company (as amended from time to time) but shall not be required to attend in person at any such meetings of the Board.

4.4 The Controlling Shareholder shall indemnify the Company against any costs, expense, damage or other loss suffered or incurred by the Company by reason of:

4.4.1 any claim, including without limitation, for unfair or wrongful dismissal, by any Controlling Shareholder Director appointed pursuant to this Clause 4 as a result of his removal from the Board; or

4.4.2 any misconduct or breach of applicable laws or regulation by any Controlling Shareholder Director.

5. CONFLICTS OF INTEREST

5.1 The Controlling Shareholder agrees that it shall, and shall procure that each relevant Related Person shall, exercise all voting rights and other powers of control to ensure that the Controlling Shareholder Directors: (a) shall not request information relating to or participate in any Board discussion relating to, and in respect of the Controlling Shareholder Directors, (b) shall abstain from any vote on any Board resolution in relation to:

5.1.1 any transaction (including any agreement, arrangement, relationship or other dealings and their variation, waiver, suspension or termination) between the Company and the Controlling Shareholder and any relevant Related Person or Associate, or any other proposal whatsoever in which the Controlling Shareholder, or a Controlling Shareholder Director has any interest which the other members of the Board consider to be material; and

5.1.2 the subject matter of such resolution where an actual or potential conflict of interest exists between the Controlling Shareholder or any relevant Related Person or Associate and the Company.

6. ENFORCEABILITY

The Parties shall act in good faith in giving effect to this Agreement. In the event that any terms and provisions of this Agreement shall be held to be invalid or unenforceable, such terms and provisions shall be deemed to be deleted and this Agreement shall be given effect as if such invalid or unenforceable terms and provisions were deleted from this Agreement.

7. **CONFIDENTIALITY**

7.1 Each of the Parties shall keep confidential (and shall procure that its officers, employees, agents and professional advisors shall keep confidential) any information which it (or they) may have or acquire in connection with this Agreement (whether before or after the date of this Agreement) in relation to the business, finances, assets or affairs of any of the other Parties (including, without limitation, this Agreement), save for any information which is:

7.1.1 publicly available or becomes publicly available other than as a result of disclosure by the Controlling Shareholder, any relevant Related Person, an Associate or their representatives in breach of this Agreement;

7.1.2 lawfully in the possession of the recipient prior to its disclosure to the recipient by the disclosing Party and is or becomes free from any restriction on its subsequent use or disclosure by the recipient;

7.1.3 received on a non-confidential basis by the recipient from a third party and is not knowingly used or disclosed to others by the recipient Party in breach of Clause 7; or

7.1.4 an announcement or disclosure required by law or regulation or by any stock exchange or governmental or other regulatory or supervisory body or authority in the United States or otherwise,

and shall not disclose such information, or make use of such information for any purpose whatsoever other than for the purposes of properly performing its obligations under this Agreement except with the consent of the other Parties (such consent not to be unreasonably withheld or delayed).

8. **DURATION AND TERMINATION**

8.1 This Agreement shall come into force on the satisfaction of the Condition.

8.2 If the Controlling Shareholder or any Related Person ceases to be a shareholder holding (directly or indirectly) over twenty five per cent (25%) of the issued and outstanding shares of the Company's Common Stock for a period of more than six (6) months, this Agreement (other than Clauses 1, 7, 9 and 12 which shall remain in force) shall immediately terminate and except pursuant to Clause 7, neither Party shall have any further rights or obligations in relation to it (save in respect of any prior breach by the other Party).

9. **NATURE OF AGREEMENT**

9.1 This Agreement is personal to the Parties and none of them may (without the written consent of the other) assign, mortgage, charge or dispose of any of its rights hereunder, or subcontract, assign or otherwise delegate any of its obligations under this Agreement (whether by sale, transfer of Common Stock or otherwise).

9.2 Nothing in this Agreement shall create, or be deemed to create a partnership or joint venture between the Parties.

9.3 This Agreement is intended for the benefit of the Parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

9.4 The Parties shall exercise all voting and other rights and powers available to them so as to give effect to the provisions of this Agreement.

9.5 Each Party acknowledges that, in entering into this Agreement, it does not do so on the basis of or relying upon any representation, warranty (if any) or other provision except as expressly provided in this Agreement and, accordingly, all conditions, warranties or other terms implied by statute or common law are hereby excluded to the fullest extent permitted by law.

9.6 If any of the provisions of this Agreement is or becomes invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, the Parties shall make suitable and equitable provision therefore in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision.

10. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding of the Parties with respect to the subject matter hereof and none of the Parties has entered into this Agreement in reliance upon any representation, warranty or undertaking by or on behalf of any Party which is not expressly set out herein.

11. COUNTERPARTS

This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

12. GOVERNING LAW

12.1 All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of Nevada, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Nevada or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Nevada. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of Las Vegas, County of Clark, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each Party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such Party at the address indicated in this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

12.2 In this Agreement references to any time are references to the time in Las Vegas, Nevada.

13. **CONSTRUCTION**

13.1 The language used in this Agreement will be deemed to be the language chosen by the Parties to express their mutual intent, and no rules of strict construction will be applied against any Party. No specific representation or warranty shall limit the generality or applicability of a more general representation or warranty.

[signature page follows]

IN WITNESS whereof this Agreement has been executed on the date first above written.

Executed as a Agreement
For and on behalf of
SYNBIO LLC
acting by:

/s/ S. Avtushenko
Name: S. Avtushenko
Title: General Director

Executed as a Agreement
For and on behalf of
XENETIC BIOSCIENCES, INC.
acting by:

/s/ M.S. Maguire
Name: M.S. Maguire
Title: Chief Executive Officer

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Scott Maguire, certify that:

1. I have reviewed this Annual Report on Form 10-K of Xenetic Biosciences, 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.

Dated: April 15, 2014

By: /s/ Michael Scott Maguire
Michael Scott Maguire
Chief Executive Officer, President and Director

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, [Colin William Hill], certify that:

1. I have reviewed this Annual Report on Form 10-K of Xenetic Biosciences, 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.

Dated: April 15, 2014

By: /s/ Colin William Hill
Colin William Hill
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Xenetic Biosciences, Inc. (the "Company") on Form 10K for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned officers of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 15, 2014

By: /s/ Michael Scott Maguire
Michael Scott Maguire
Chief Executive Officer, President and Director

By: /s/ Colin William Hill
Colin William Hill
Chief Financial Officer