FORM 10-K

ALKERMES INC - ALKS

Filed: May 28, 2009 (period: March 31, 2009)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 March 31, 2009

OR

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

Commission file number: 1-14131

ALKERMES, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2472830**
State or other jurisdiction of incorporation or organization	*(I.R.S. Employer Identification No.)*
88 Sidney Street, Cambridge, MA	**02139-4234**
(Address of principal executive offices)	*(Zip Code)*

(617) 494-0171
(Registrant's telephone number, including area code)

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

Common Stock, par value $.01 per share Series A Junior Participating Preferred Stock Purchase Rights	The NASDAQ Stock Market LLC
Title of each class	**Name of exchange on which registered**

Securities registered pursuant to Section 12(b) 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 Exchange 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 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. ☐

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 ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

As of September 30, 2008 (the last business day of the second fiscal quarter) the aggregate market value of the 93,002,448 outstanding shares of voting and non-voting common equity held by non-affiliates of the registrant was $1,236,932,558. Such aggregate value was computed by reference to the closing price of the common stock reported on the NASDAQ Stock Market on September 30, 2008.

As of May 20, 2009, 94,525,706 shares of the Registrant's common stock were issued and outstanding and 382,632 shares of the Registrant's non-voting common stock were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement to be filed within 120 days after March 31, 2009 for the Registrant's Annual Shareholders' Meeting are incorporated by reference into Part III of this Report on Form 10-K.

ALKERMES, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED MARCH 31, 2009

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PART I

Item 1. *Business*

The following business section contains forward-looking statements which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors. See "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements."

General

Alkermes, Inc. (as used in this section, together with our subsidiaries, "us", "we", "our" or the "Company") is a fully integrated biotechnology company committed to developing innovative medicines to improve patients' lives. We developed, manufacture and commercialize VIVITROL ® for alcohol dependence and manufacture RISPERDAL® CONSTA® for schizophrenia and bipolar disorder. Our robust pipeline includes extended-release injectable, pulmonary and oral products for the treatment of prevalent, chronic diseases, such as central nervous system disorders, addiction and diabetes. We have research facilities in Massachusetts and a commercial manufacturing facility in Ohio. We announced in April 2009 that we will move our corporate headquarters from Cambridge, Massachusetts, to Waltham, Massachusetts in early calendar 2010.

Our Strategy

We leverage our formulation expertise and drug development technologies to develop, both with partners and on our own, innovative and competitively advantaged drug products that can enhance patient outcomes in major therapeutic areas. We enter into select collaborations with pharmaceutical and biotechnology companies to develop significant new product candidates, based on existing drugs and incorporating our technologies. In addition, we apply our innovative formulation expertise and drug development capabilities to create our own new, proprietary pharmaceutical products. Each of these approaches is discussed in more detail in "Products and Development Programs."

Products and Development Programs

RISPERDAL CONSTA

RISPERDAL CONSTA is a long-acting formulation of risperidone, a product of Janssen Pharmaceutica, Inc., a division of Ortho-McNeil-Janssen Pharmaceuticals, Inc., and Janssen Pharmaceutica International, a division of Cilag International (together "Janssen"), and is the first and only long-acting, atypical antipsychotic approved by the United States ("U.S.") Food and Drug Administration ("FDA"). The medication uses our proprietary Medisorb® technology to deliver and maintain therapeutic medication levels in the body through just one injection every two weeks. RISPERDAL CONSTA is marketed by Janssen and is exclusively manufactured by us. RISPERDAL CONSTA was first approved by regulatory authorities in the United Kingdom ("UK") and Germany in August 2002 and by the FDA in October 2003. RISPERDAL CONSTA is approved for the treatment of schizophrenia in approximately 85 countries and marketed in approximately 60 countries, and Janssen continues to launch the product around the world. In the U.S., RISPERDAL CONSTA is also approved for the treatment of bipolar I disorder.

Schizophrenia is a brain disorder characterized by disorganized thinking, delusions and hallucinations. Studies have demonstrated that as many as seventy-five percent of patients with schizophrenia have difficulty taking their oral medication on a regular basis, which can lead to worsening of symptoms. Clinical data has shown that treatment with RISPERDAL CONSTA may lead to improvements in symptoms, sustained remission and decreases in hospitalization in patients with schizophrenia. Bipolar disorder is a brain disorder that causes unusual shifts in a person's mood, energy and ability to function. It is often characterized by debilitating mood swings, from extreme highs (mania) to extreme lows (depression). Bipolar I disorder is characterized based on the occurrence of at least one manic episode, with or without the occurrence of a major

depressive episode. Clinical data has shown that RISPERDAL CONSTA significantly delayed the time to relapse compared to placebo treatment in patients with bipolar disorder.

In April 2008, we announced that our partner, Johnson & Johnson Pharmaceutical Research & Development, L.L.C. ("J&JPRD"), submitted a supplemental New Drug Application ("sNDA") for RISPERDAL CONSTA to the FDA seeking approval for adjunctive therapy to lithium or valproate in the maintenance treatment of bipolar I disorder.

In May 2008, the results of a study sponsored by Janssen were presented at the American Psychiatric Association ("APA") 161st Annual Meeting in Washington D.C. The 24-month, open-label, active-controlled, international study compared treatment with RISPERDAL CONSTA to that of SEROQUEL ® (quetiapine) among patients with schizophrenia and other related disorders. The results demonstrated that in longer-term maintenance therapy, the average relapse-free time was significantly longer in patients treated with RISPERDAL CONSTA (607 days) compared to quetiapine (533 days) ($p<0.0001$). Furthermore, over the 24-month treatment period, relapse occurred in 16.5 percent of patients treated with RISPERDAL CONSTA and 31.3 percent of patients treated with quetiapine. Both RISPERDAL CONSTA and quetiapine had generally comparable safety profiles.

In July 2008, we announced that J&JPRD submitted a sNDA for RISPERDAL CONSTA to the FDA for approval as monotherapy in the maintenance treatment of bipolar I disorder to delay the time to occurrence of mood episodes in adults.

In October 2008, the FDA approved the deltoid muscle of the arm as a new injection site for RISPERDAL CONSTA. RISPERDAL CONSTA was previously approved as a gluteal injection only.

In January 2009, we announced that J&JPRD initiated a phase 1, single-dose, open-label study of a four-week long-acting injectable formulation of risperidone for the treatment of schizophrenia. The study is designed to assess the pharmacokinetics, safety and tolerability of a gluteal injection of this risperidone formulation in approximately 26 patients diagnosed with chronic, stable schizophrenia.

In April 2009, we announced that Janssen received approval from the Pharmaceuticals and Medical Devices Agency in Japan to market RISPERDAL CONSTA for the treatment of schizophrenia. RISPERAL CONSTA is the first long-acting atypical antipsychotic to be approved in Japan.

In May 2009, the FDA approved RISPERDAL CONSTA for use as both a monotherapy and adjunctive therapy to lithium or valproate in the maintenance treatment of bipolar I disorder. Bipolar disorder is a brain disorder that causes unusual shifts in a person's mood, energy and ability to function. It is often characterized by debilitating mood swings from extreme highs (mania) to extreme lows (depression). Type I bipolar disorder is characterized based on the occurrence of at least one manic episode, with or without the occurrence of a major depressive episode, and affects approximately one percent of the American adult population in any given year.

In May 2009, the results of studies sponsored by Janssen were presented at the APA 162nd Annual Meeting in San Francisco, CA. According to two new studies, the use of RISPERDAL CONSTA) may improve clinical and functional outcomes and reduce rates of rehospitalization among patients with schizophrenia. In an analysis of two prospective, observational two-year studies conducted in the U.S. and three other countries, RISPERDAL CONSTA consistently and significantly improved clinical and functional outcomes for patients with schizophrenia. Data were collected at baseline and at three-month intervals up to 24 months, and included the Clinical Global Impression of Illness Severity (CGI-S), which measures clinical effectiveness outcomes, the Global Assessment of Functioning (GAF), and healthcare resource utilization. Patients were enrolled in the U.S. (N=532), Spain (N=1345), Australia (N=784) and Belgium (N=408). A separate study also showed that maintenance therapy with RISPERDAL CONSTA significantly delayed the time to relapse compared to placebo in patients with bipolar I disorder.

VIVITROL

VIVITROL is an extended-release Medisorb formulation of naltrexone developed by Alkermes. VIVITROL is the first and only once-monthly injectable medication for the treatment of alcohol dependence. Alcohol dependence is a serious and chronic brain disease characterized by cravings for alcohol, loss of control over drinking, withdrawal symptoms and an increased tolerance for alcohol. Adherence to medication is particularly challenging with this patient population. In clinical trials, when used in combination with psychosocial support, VIVITROL was shown to reduce the number of drinking days and heavy drinking days and to prolong abstinence in patients who abstained from alcohol the week prior to starting treatment. Each injection of VIVITROL provides medication for one month and alleviates the need for patients to make daily medication dosing decisions. VIVITROL was approved by the FDA in April 2006 and was launched in June 2006. In August 2008, the Russian regulatory authorities approved VIVITROL for the treatment of alcohol dependence. Our collaborator, Cilag GmbH International ("Cilag"), a subsidiary of Johnson & Johnson, launched VIVITROL in Russia in March 2009. The VIVITROL collaboration with Cilag is described in greater detail in the "Collaborative Arrangements" section of Item 1.

We are also developing VIVITROL for the treatment of opioid dependence, a serious and chronic brain disease characterized by compulsive, prolonged-self administration of opioid substances that are not used for a medical purpose. In June 2008, we initiated a randomized, multi-center registration study of VIVITROL in Russia for the treatment of opioid dependence. The study is designed to assess the efficacy and safety of VIVITROL in more than 250 opioid dependent patients. The clinical data from this study may form the basis of a sNDA to the FDA for VIVITROL for the treatment of opioid dependence. In April 2009, we completed enrollment for this registration study. We expect data from the study to be available in late calendar 2009.

In November 2008, we and Cephalon, Inc. ("Cephalon") agreed to end the collaboration for the development, supply and commercialization of certain products, including VIVITROL in the U.S., effective December 1, 2008 (the "Termination Date"), and we assumed the risks and responsibilities for the marketing and sale of VIVITROL in the U.S. We paid Cephalon $16.0 million for title to two partially completed VIVITROL manufacturing lines, and we received $11.0 million from Cephalon as payment to fund their share of estimated VIVITROL product losses during the one-year period following the Termination Date. As of the Termination Date, Cephalon is no longer responsible for the marketing and sale of VIVITROL in the U.S., and we are responsible for all VIVITROL profits or losses. Cephalon has no rights to royalty payments on future sales of VIVITROL. In order to facilitate the full transfer of all commercialization of VIVITROL to us, Cephalon, at our option and on our behalf, has agreed to perform certain transition services until May 31, 2009 at a full-time equivalent ("FTE") rate agreed to by the parties. The VIVITROL collaboration with Cephalon is described in greater detail in the "Collaborative Arrangements" section of Item 1.

Exenatide Once Weekly

We are collaborating with Amylin Pharmaceuticals, Inc. ("Amylin") on the development of exenatide once weekly for the treatment of type 2 diabetes. Exenatide once weekly is an injectable formulation of Amylin's BYETTA® (exenatide). BYETTA is an injection administered twice daily. Diabetes is a disease in which the body does not produce or properly use insulin. Diabetes can result in serious health complications, including cardiovascular, kidney and nerve disease. BYETTA was approved by the FDA in April 2005 as adjunctive therapy to improve blood sugar control in patients with type 2 diabetes who have not achieved adequate control on metformin and/or a sulfonylurea, which are commonly used oral diabetes medications. In December 2006, the FDA approved BYETTA as an add-on therapy for people with type 2 diabetes unable to achieve adequate glucose control on thiazolidinediones, a class of diabetes medications. Amylin has an agreement with Eli Lilly and Company ("Lilly") for the development and commercialization of exenatide, including exenatide once weekly. Exenatide once weekly is being developed with the goal of providing patients with an effective and more patient-friendly treatment option.

In June 2008, we, Amylin and Lilly announced positive results from a 52-week, open-label clinical study ("DURATION-1 study") that showed the durable efficacy of exenatide once weekly. At 52 weeks, patients taking exenatide once weekly showed an average A1C improvement of 2 percent and an average weight loss

of 9.5 pounds. The study also showed that patients who switched from BYETTA injection after 30 weeks to exenatide once weekly experienced additional improvements in A1C and fasting plasma glucose. Seventy-four percent of all patients in the study achieved an endpoint of A1C of 7 percent or less at 52 weeks. Exenatide once weekly was generally well tolerated, with no major hypoglycemia events regardless of background therapy and nausea was predominantly mild and transient.

In March 2009, we, Amylin and Lilly reported positive results from a 26-week, double-blind superiority study that compared exenatide once weekly to sitagliptin or pioglitazone ("DURATION-2 study"). Data from the study showed that after completing 26 weeks of treatment, evaluable patients randomized to exenatide once weekly experienced a statistically significant reduction in A1C of 1.7 percentage points from baseline, compared to a reduction of 1.0 percentage point for sitagliptin and 1.4 percentage points for pioglitazone. Treatment with exenatide once weekly also produced statistically significant differences in weight, with weight loss of 6.2 pounds at 26 weeks, compared with a loss of 1.9 pounds for sitagliptin, and a weight gain of 7.4 pounds for pioglitazone. There was no major hypoglycemia in any treatment group. The most frequently reported adverse events among exenatide once weekly and sitagliptin users were nausea and diarrhea. Upper respiratory tract infection and peripheral edema were the most frequently reported events by patients receiving pioglitazone.

In May 2009, Amylin submitted a New Drug Application ("NDA") to the FDA for the treatment of type 2 diabetes. Additional studies designed to demonstrate the superiority of exenatide once weekly are ongoing.

ALKS 33

ALKS 33 is a novel opioid modulator, identified from the library of compounds in-licensed from Rensselaer Polytechnic Institute ("RPI"). These compounds represent an opportunity for us to develop important therapeutics for a broad range of diseases and medical conditions, including addiction, pain and other nervous system disorders. In July 2008, we announced positive preclinical results for ALKS 33. The study results included efficacy data from an ethanol drinking behavior model in rodents, a well-characterized model for evaluating the effects of potential therapeutics targeting opioid receptors. Results showed that single, oral doses of our novel molecules significantly reduced the ethanol drinking behavior in rodents, with an average reduction from baseline ranging from 35 percent to 50 percent for the proprietary molecules compared to 10 percent for the naltrexone control arm. Details from an evaluation of the *in vivo* pharmacology, pharmacokinetics and *in vitro* metabolism were also presented. Data showed that the molecules have improved metabolic stability compared to the naltrexone control arm when cultured with human hepatocytes (liver cells), suggesting that they are not readily metabolized by the liver, a unique advantage over existing oral therapies for addiction. Pharmacokinetic results showed that the oral bioavailability of ALKS 33 was significantly greater than that of the active control.

In April 2009, we reported positive results from a phase 1 randomized, double-blind, placebo-controlled study for ALKS 33 in healthy volunteers. The study was designed to assess the pharmacokinetics, safety and tolerability of ALKS 33 following single oral administration at escalating dose levels. ALKS 33 demonstrated rapid oral absorption, high plasma concentrations and duration of action that supports once daily dosing. The study results are consistent with previous findings that ALKS 33 is not metabolized by the liver, a unique advantage over existing oral therapies for addiction. ALKS 33 was generally well tolerated during the study. Based on these preliminary results, we expect to initiate a phase 2 study of ALKS 33 in the second half of calendar 2009.

ALKS 29

We are developing ALKS 29, an oral combination therapy for the treatment of alcohol dependence. ALKS 29 is a co-formulation of ALKS 33, a proprietary opioid modulator, and baclofen, an FDA-approved muscle relaxant and antispasmodic therapeutic. Research suggests that baclofen may attenuate the compulsive component of alcohol dependence. As a co-formulation of ALKS 33 and baclofen, ALKS 29 is designed to address both the compulsive and impulsive components of alcohol dependence.

In April 2009, we reported positive data from a phase 1, open-label crossover study of a proprietary extended-release formulation of baclofen. The study was designed to assess the pharmacokinetics, safety and tolerability of an extended-release formulation of baclofen compared to the currently marketed formulation of baclofen. Data from the study showed that our baclofen-only formulation demonstrated a favorable pharmacokinetic profile compared to the currently marketed formulation and was generally well tolerated.

ALKS 27

Using our AIR® pulmonary technology, we are developing an inhaled trospium product for the treatment of chronic obstructive pulmonary disease ("COPD"). COPD is a serious, chronic disease characterized by a gradual loss of lung function. In February 2009, we initiated a phase 2a study of ALKS 27 designed to assess the efficacy, safety, tolerability and pharmacokinetics of ALKS 27 in patients with COPD. In this randomized, double-blind, cross-over, placebo-controlled study, patients will receive single administrations of three doses of ALKS 27 and placebo, each separated by a wash out period. The efficacy of ALKS 27 will be evaluated based on improvements in pulmonary function in patients with COPD, as measured by FEV1, a commonly used measure of lung function. In addition, the phase 2a study will explore the safety, tolerability and effects of ALKS 27 in combination with formoterol fumarate inhalation powder, a long-acting beta agonist ("LABA") already approved for the treatment of COPD. All patients will receive the combination dose following the randomized, double-blind, placebo-controlled portion of the study. Research indicates that LABAs and muscarinic receptor antagonists, such as ALKS 27, may have a synergistic effect on improving symptoms in patients with COPD by acting on complementary pathways. We expect to report top-line results from the full study in the second half of calendar 2009.

ALKS 36

We are developing ALKS 36, a co-formulation of an opioid analgesic and RDC-1036, a novel oral, peripherally-acting opioid antagonist, for the treatment of pain. Research indicates that a high percentage of patients receiving opioids are likely to experience side effects affecting gastrointestinal motility. A pain medication that does not inhibit gastrointestinal motility could provide an advantage over current therapies.

In November 2008, we announced positive preclinical data demonstrating that RDC-1036 was effective in reversing opioid effects on gastrointestinal motility. Data also showed that oral administration of RDC-1036 had greater efficacy at a lower dose and for an extended period of time compared to an active comparator, methylnaltrexone. Based on these positive preclinical results, we expect to initiate a phase 1 study of RDC-1036 in the second half of calendar 2009.

Collaborative Arrangements

Our business strategy includes forming collaborations to develop and commercialize our products and, in so doing, access technological, financial, marketing, manufacturing and other resources. We have entered into several collaborative arrangements, as described below.

Janssen

Under a product development agreement, we collaborated with Janssen on the development of RISPERDAL CONSTA. Under the development agreement, Janssen provided funding to us for the development of RISPERDAL CONSTA, and Janssen is responsible for securing all necessary regulatory approvals for the product. RISPERDAL CONSTA has been approved in approximately 85 countries. RISPERDAL CONSTA has been launched in approximately 60 countries, including the U.S. and several major international markets. We exclusively manufacture RISPERDAL CONSTA for commercial sale. In addition, we and Janssen entered into an agreement to work to develop a four week formulation of risperidone.

Under license agreements, we granted Janssen and an affiliate of Janssen exclusive worldwide licenses to use and sell RISPERDAL CONSTA. Under our license agreements with Janssen, we record royalty revenues equal to 2.5 percent of Janssen's net sales of RISPERDAL CONSTA in the quarter when the product is sold by Janssen. Janssen can terminate the license agreements upon 30 days prior written notice to us.

Under our manufacturing and supply agreement with Janssen, we record manufacturing revenues when product is shipped to Janssen, based on 7.5 percent of Janssen's net unit sales price for RISPERDAL CONSTA for the calendar year.

The manufacturing and supply agreement terminates on expiration of the license agreements. In addition, either party may terminate the manufacturing and supply agreement upon a material breach by the other party which is not resolved within 60 days written notice or upon written notice in the event of the other party's insolvency or bankruptcy. Janssen may terminate the agreement upon six months written notice to us. In the event that Janssen terminates the manufacturing and supply agreement without terminating the license agreements, the royalty rate payable to us on Janssen's net sales of RISPERDAL CONSTA would increase from 2.5 percent to 5.0 percent.

Cephalon

In June 2005, we entered into a license and collaboration agreement and supply agreement with Cephalon, later amended in October 2006 (together the "Agreements") to jointly develop, manufacture and commercialize extended-release forms of naltrexone, including VIVITROL (the "product" or "products"), in the U.S. Under the terms of the Agreements, we provided Cephalon with a co-exclusive license to use and sell the product in the U.S. and a non-exclusive license to manufacture the product under certain circumstances, with the ability to sublicense. We were responsible for obtaining marketing approval for VIVITROL in the U.S. for the treatment of alcohol dependence, which we received from the FDA in April 2006, for completing the first VIVITROL manufacturing line and manufacturing the product. The companies shared responsibility for additional development of the products, and also shared responsibility for developing the commercial strategy for the products. Cephalon had primary responsibility for the commercialization, including distribution and marketing, of the products in the U.S., and we supported this effort with a team of managers of market development. Cephalon paid us an aggregate of $274.6 million in nonrefundable milestone payments related to the Agreements and we were responsible to fund the first $124.6 million of cumulative net losses incurred on VIVITROL.

In November 2008, we and Cephalon agreed to end the collaboration for the development, supply and commercialization of certain products, including VIVITROL in the U.S., effective on the Termination Date, and we assumed the risks and responsibilities for the marketing and sale of VIVITROL in the U.S. We paid Cephalon $16.0 million for title to two partially completed VIVITROL manufacturing lines, and we received $11.0 million from Cephalon as payment to fund their share of estimated VIVITROL product losses during the one-year period following the Termination Date. As of the Termination Date, we were responsible for all VIVITROL profits or losses and Cephalon has no rights to royalty payments on future sales of VIVITROL. In order to facilitate the full transfer of all commercialization of VIVITROL to us, Cephalon, at our option and on our behalf, has agreed to perform certain transition services until May 31, 2009 at an FTE rate agreed to by the parties.

Cilag

In December 2007, we entered into a license and commercialization agreement with Cilag to commercialize VIVITROL for the treatment of alcohol dependence and opioid dependence in Russia and other countries in the Commonwealth of Independent States ("CIS"). Under the terms of the agreement, Cilag has primary responsibility for securing all necessary regulatory approvals for VIVITROL and Janssen-Cilag, an affiliate of Cilag, commercializes the product. We are responsible for the manufacture of VIVITROL and receive manufacturing and royalty revenues based upon product sales.

In August 2008, Cilag paid us a nonrefundable payment of $1.0 million upon achieving regulatory approval of VIVITROL for the treatment of alcohol dependence in Russia. Cilag previously paid us $5.0 million in nonrefundable payments and could pay us up to an additional $33.0 million upon the receipt of regulatory approvals for the product, the occurrence of certain agreed-upon events and the achievement of certain VIVITROL sales levels.

Commencing five years after the effective date of the agreement, Cilag will have the right to terminate the agreement at any time by providing 90 days written notice to us, subject to certain continuing rights and obligations between the parties. Cilag will also have the right to terminate the agreement at any time upon 90 days written notice to us if a change in the pricing and/or reimbursement of VIVITROL in Russia and other countries of the CIS has a material adverse effect on the underlying economic value of commercializing the product such that it is no longer reasonably profitable to Cilag. In addition, either party may terminate the agreement upon a material breach by the other party which is not cured within 90 days written notice of material breach or, in certain circumstances, a 30 day extension of that period.

Amylin

In May 2000, we entered into a development and license agreement with Amylin for the development of exenatide once weekly, which is under development for the treatment of type 2 diabetes. Pursuant to the development and license agreement, Amylin has an exclusive, worldwide license to the Medisorb technology for the development and commercialization of injectable extended-release formulations of exendins and other related compounds. Amylin has entered into a collaboration agreement with Lilly for the development and commercialization of exenatide, including exenatide once weekly. We receive funding for research and development and milestone payments consisting of cash and warrants for Amylin common stock upon achieving certain development and commercialization goals and will also receive royalty payments based on future product sales, if any. We are responsible for formulation and non-clinical development of any products that may be developed pursuant to the agreement and for manufacturing these products for use in clinical trials and, in certain cases, for commercial sale. Subject to its arrangement with Lilly, Amylin is responsible for conducting clinical trials, securing regulatory approvals and marketing any products resulting from the collaboration on a worldwide basis.

In October 2005, we amended our existing development and license agreement with Amylin, and reached agreement regarding the construction of a manufacturing facility for exenatide once weekly and certain technology transfer related thereto. In December 2005, Amylin purchased a facility for the manufacture of exenatide once weekly and began construction in early calendar year 2006. Amylin is responsible for all costs and expenses associated with the design, construction and validation of the facility. The parties agreed that we would transfer our technology for the manufacture of exenatide once weekly to Amylin. Amylin agreed to reimburse us for the time, at an agreed-upon FTE rate, and materials we incurred with respect to the transfer of technology. In January 2009, the parties agreed that the technology transfer was complete. Amylin will be responsible for the manufacture of exenatide once weekly and will operate the facility. Amylin will pay us royalties for commercial sales of this product, if approved, in accordance with the development and license agreement.

Amylin may terminate the development and license agreement for any reason upon 90 days written notice to us if such termination occurs before filing an NDA with the FDA for a product developed under the development and license agreement or upon 180 days written notice to us after such event. In addition, either party may terminate the development and license agreement upon a material default or breach by the other party that is not cured within 60 days after receipt of written notice specifying the default or breach.

Rensselaer Polytechnic Institute

In September 2006, we and RPI entered into a license agreement granting us exclusive rights to a family of opioid receptor compounds discovered at RPI. These compounds represent an opportunity for us to develop therapeutics for a broad range of diseases and medical conditions, including addiction, pain and other central nervous system disorders.

Under the terms of the agreement, RPI granted us an exclusive worldwide license to certain patents and patent applications relating to its compounds designed to modulate opioid receptors. We will be responsible for the continued research and development of any resulting product candidates. We paid RPI a nonrefundable upfront payment of $0.5 million and are obligated to pay annual fees of up to $0.2 million, and tiered royalty payments of between 1% and 4% of annual net sales in the event any products developed under the agreement

are commercialized. In addition, we are obligated to make milestone payments in the aggregate of up to $9.1 million upon certain agreed-upon development events. All amounts paid to RPI under this license agreement have been expensed and are included in research and development expenses. In July 2008, the parties amended the agreement to expand the license to include certain additional patent applications. We paid RPI an additional nonrefundable payment of $125,000 and slightly increased the annual fees in consideration of this amendment.

Lilly

In March 2008, we received written notice from Lilly terminating the development and license agreement, dated April 1, 2001, between us and Lilly pursuant to which we and Lilly were collaborating to develop inhaled formulations of insulin and other potential products for the treatment of diabetes based on our AIR pulmonary technology. This termination became effective in June 2008. Termination of our development and license agreement also resulted in the termination of our supply agreement with Lilly for AIR Insulin.

In June 2008, we entered into an agreement with Lilly in connection with the termination of the development and license agreements and supply agreement for the development of AIR Insulin (the "AIR Insulin Termination Agreement"). Under the AIR Insulin Termination Agreement, we received $40.0 million in cash as payment for all services we had performed through the date of the AIR Insulin Termination Agreement as well as title to all of the assets related to AIR commercial manufacturing and the intellectual property developed under the development and license agreement. We previously recognized $14.5 million of this payment as research and development ("R&D") revenue in the year ended March 31, 2008 and recognized $25.5 million of this payment as R&D revenue in the three months ended June 30, 2008.

Drug Delivery Technology

Our proprietary technologies address several important development opportunities, including injectable extended-release of proteins, peptides and small molecule pharmaceutical compounds and the pulmonary delivery of small molecules, proteins and peptides. We have used these technologies as a platform to establish drug development, clinical development and regulatory expertise.

Injectable Extended-Release Technology

Our injectable extended-release technology allows us to encapsulate small molecule pharmaceuticals, peptides and proteins, in microspheres made of common medical polymers. The technology is designed to enable novel formulations of pharmaceuticals by providing controlled, extended-release of drugs over time. Drug release from the microsphere is controlled by diffusion of the drug through the microsphere and by biodegradation of the polymer. These processes can be modulated through a number of formulation and fabrication variables, including drug substance and microsphere particle sizing and choice of polymers and excipients. RISPERDAL CONSTA, VIVITROL and exenatide once weekly utilize our injectable extended-release technology.

Pulmonary Technology

The AIR technology is our proprietary pulmonary technology that enables the delivery of both small molecules and macromolecules to the lungs. Our technology allows us to formulate drugs into dry powders made up of highly porous particles with low mass density. These particles can be efficiently delivered to the deep lung by a small, simple inhaler. The AIR technology is useful for small molecules, proteins or peptides and allows for both local delivery to the lungs and systemic delivery via the lungs.

AIR particles can be aerosolized and inhaled efficiently with simple inhaler devices because low forces of cohesion allow the particles to disaggregate easily. We have developed a family of relatively inexpensive, compact, easy-to-use inhalers. The capsule-based AIR inhalers are breath activated and made from injection molded plastic. The powders are designed to disperse easily from the device over a range of inhalation flow rates, which may lead to low patient-to-patient variability and high lung deposition of the inhaled dose. Since

no carrier particles are required in AIR formulations, high doses can be effectively delivered via a single inhalation. ALKS 27 leverages our pulmonary technology.

Manufacturing and Product Supply

We own and occupy a manufacturing, office and laboratory facility in Wilmington, Ohio. We either purchase active drug product from third parties or receive it from our third party collaborators to formulate product using our technologies. The manufacture of our product for clinical trials and commercial use is subject to current good manufacturing practices ("cGMP") and other regulatory agency regulations. We have been producing commercial product since 1999. For information about risks relating to the manufacture of our products and product candidates, see the sections of "Item 1A — Risk Factors" entitled "We are subject to risks related to the manufacture of our products", "There are risks in the manufacturing and distribution of our products and product candidates", "The manufacture of our products is subject to government regulation", and "We rely heavily on collaborative partners."

Commercial Products

We manufacture RISPERDAL CONSTA and VIVITROL in our Wilmington, Ohio facility. The facility is periodically inspected by U.S., European and Japanese regulatory authorities to ensure that the facility continues to meet required cGMP standards for continued commercial manufacturing. See Item 2. "Properties".

Clinical Products

We have established and are operating clinical facilities with the capability to produce clinical supplies of our pulmonary and injectable extended-release products within our corporate headquarters in Cambridge, Massachusetts and at our Wilmington, Ohio facility. We have also contracted with third-party manufacturers to formulate certain products for clinical use. We require that our contract manufacturers adhere to cGMP, except for products and product candidates for toxicology and animal studies, which we require to be manufactured in accordance with current Good Laboratory Practices ("cGLP").

Although some materials for our drug products are currently available from a single-source or a limited number of qualified sources, we attempt to acquire an adequate inventory of such materials, establish alternative sources and/or negotiate long-term supply arrangements. We believe we do not have any significant issues obtaining suppliers, however, we cannot be certain that we will continue to be able to obtain long-term supplies of our manufacturing materials.

Marketing and Sales

Under our collaboration agreements with Janssen, Cilag, Amylin and Lilly, these companies are responsible for the commercialization of the products developed thereunder if and when regulatory approval is obtained. In December 2008, in connection with the termination of the VIVITROL collaboration with Cephalon, we assumed the risks and responsibilities for the marketing and sale of VIVITROL in the U.S.

We have established a sales force to market VIVITROL in the U.S. consisting of approximately 50 individuals. VIVITROL is sold directly to pharmaceutical wholesalers, specialty pharmacies and a specialty distributor. Product sales of VIVITROL by us and Cephalon during the year ended March 31, 2009, to McKesson Corporation ("McKesson"), Cardinal Health ("Cardinal"), AmerisourceBergen Drug Corporation ("Amerisource") and Caremark L.L.C. represented approximately 33%, 24%, 21% and 13%, respectively, of total VIVITROL sales. No other customer accounted for more than 10% of VIVITROL product sales in fiscal 2009.

Effective April 1, 2009, we entered into an agreement with Cardinal Health Specialty Pharmaceutical Services ("Cardinal SPS"), a division of Cardinal, to provide warehouse, shipping and administrative services for VIVITROL at a location outside of Nashville, Tennessee. Our expectation for fiscal 2010 and beyond is to continue to distribute VIVITROL through Cardinal SPS.

In fiscal 2010, we expect selling and marketing expenses to increase over fiscal 2009 as a result of being solely responsible for all costs relating to the marketing and sale of VIVITROL in the U.S.

Competition

The biotechnology and pharmaceutical industries are subject to rapid and substantial technological change. We face intense competition in the development, manufacture, marketing and commercialization of our products and product candidates from many and varied sources — academic institutions, government agencies, research institutions, biotechnology and pharmaceutical companies, including our collaborators, and other companies with similar technologies. Our success in the marketplace depends largely on our ability to identify and successfully commercialize products developed from our research activities or licensed through our collaboration activities, and to obtain financial resources necessary to fund our clinical trials, manufacturing and commercialization activities. Competition for our marketed products and product candidates may be based on product efficacy, safety, convenience, reliability, availability and price, among other factors. The timing of entry of new pharmaceutical products in the market can be a significant factor in product success, and the speed with which we receive approval for products, bring them to market and produce commercial supplies may impact the competitive position of our products in the marketplace.

Many of our competitors and potential competitors have substantially more capital resources, human resources, manufacturing and marketing experience, research and development resources and production facilities than we do. Many of these competitors have significantly more experience than we do in undertaking preclinical testing and clinical trials of new pharmaceutical products and in obtaining FDA and other regulatory approvals. There can be no assurance that developments by our competitors will not render our products, product candidates or our technologies obsolete or noncompetitive, or that our collaborators will not choose to use competing technologies or methods.

With respect to our injectable technology, we are aware that there are other companies developing extended-release delivery systems for pharmaceutical products. RISPERDAL CONSTA may compete with a number of other injectable products currently being developed, including two injectable, four-week, long-acting products: paliperidone palmitate, which is being developed by Johnson & Johnson; and olanzapine long-acting injection, which is being developed by Lilly and received marketing authorization for sale in the European Union (“E.U.”) and New Zealand. RISPERDAL CONSTA may also compete with new oral compounds being developed for the treatment of schizophrenia.

VIVITROL competes with CAMPRAL® sold by Forest Laboratories, Inc. and ANTABUSE® sold by Odyssey Pharmaceuticals, Inc. as well as currently marketed drugs also formulated from naltrexone, such as REVIA® by Duramed Pharmaceuticals, Inc., NALOREX® by Bristol-Myers Squibb Pharmaceuticals Ltd. and DEPADE® by Mallinckrodt, Inc., a subsidiary of Tyco International Ltd. Other pharmaceutical companies are investigating product candidates that have shown some promise in treating alcohol dependence and that, if approved by the FDA, would compete with VIVITROL.

If approved, exenatide once weekly would compete with established therapies for market share. Such competitive products include sulfonylureas, metformin, insulins, thiazolidinediones, glinides, dipeptidyl peptidase type IV inhibitors, insulin sensitizers, alpha-glucosidase inhibitors and sodium-glucose transporter-2 inhibitors. Exenatide once weekly would also compete with other long acting GLP-1 agonists currently in development.

Other companies, including our collaborators, are developing new chemical entities or improved formulations of existing products which, if developed successfully, could compete against our products and product candidates.

Patents and Proprietary Rights

Our success will be dependent, in part, on our ability to obtain patent protection for our product candidates and those of our collaborators, to maintain trade secret protection and to operate without infringing upon the proprietary rights of others.

We have a proprietary portfolio of patent rights and exclusive licenses to patents and patent applications. We have filed numerous U.S. and foreign patent applications directed to compositions of matter as well as processes of preparation and methods of use, including applications relating to each of our delivery technologies. We own approximately 139 issued U.S. patents. The earliest date upon which a U.S. patent issued to us will expire, that is currently material to our business, is 2013. In the future, we plan to file additional U.S. and foreign patent applications directed to new or improved products and processes. We intend to file additional patent applications when appropriate and defend our patent position aggressively.

We have exclusive rights through licensing agreements with third parties to approximately 40 issued U.S. patents, a number of U.S. patent applications and corresponding foreign patents and patent applications in many countries, subject in certain instances to the rights of the U.S. government to use the technology covered by such patents and patent applications. Under certain licensing agreements, we currently pay annual license fees and/or minimum annual royalties. During the year ended March 31, 2009, these fees totaled approximately $0.9 million. In addition, under these licensing agreements, we are obligated to pay royalties on future sales of products, if any, covered by the licensed patents.

We know of several U.S. patents issued to other parties that may relate to our products and product candidates. The manufacture, use, offer for sale, sale or import of some of our product candidates might be found to infringe on the claims of these patents. A party might file an infringement action against us. Our cost of defending such an action is likely to be high and we might not receive a favorable ruling.

We also know of patent applications filed by other parties in the U.S. and various foreign countries that may relate to some of our product candidates if issued in their present form. The patent laws of the U.S. and foreign countries are distinct and decisions as to patenting, validity of patents and infringement of patents may be resolved differently in different countries. If patents are issued to any of these applicants, we or our collaborators may not be able to manufacture, use, offer for sale or sell some of our product candidates without first getting a license from the patent holder. The patent holder may not grant us a license on reasonable terms or it may refuse to grant us a license at all. This could delay or prevent us from developing, manufacturing or selling those of our product candidates that would require the license.

We try to protect our proprietary position by filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business. Because the patent position of biotechnology and pharmaceutical companies involves complex legal and factual questions, enforceability of patents cannot be predicted with certainty. The ultimate degree of patent protection that will be afforded to biotechnology products and processes, including ours, in the U.S. and in other important markets remains uncertain and is dependent upon the scope of protection decided upon by the patent offices, courts and lawmakers in these countries. Patents, if issued, may be challenged, invalidated or circumvented. Thus, any patents that we own or license from others may not provide any protection against competitors. Our pending patent applications, those we may file in the future, or those we may license from third parties, may not result in patents being issued. If issued, they may not provide us with proprietary protection or competitive advantages against competitors with similar technology. Furthermore, others may independently develop similar technologies or duplicate any technology that we have developed outside the scope of our patents. The laws of certain foreign countries do not protect our intellectual property rights to the same extent as do the laws of the U.S.

We also rely on trade secrets, know-how and technology, which are not protected by patents, to maintain our competitive position. We try to protect this information by entering into confidentiality agreements with parties that have access to it, such as our corporate partners, collaborators, employees and consultants. Any of these parties may breach the agreements and disclose our confidential information or our competitors might learn of the information in some other way. If any trade secret, know-how or other technology not protected by a patent were to be disclosed to, or independently developed by, a competitor, our business, results of operations and financial condition could be materially adversely affected.

Government Regulation

Before new pharmaceutical products may be sold in the U.S. and other countries, clinical trials of the products must be conducted and the results submitted to appropriate regulatory agencies for approval. The regulatory approval process requires a demonstration of product safety and efficacy and the ability to effectively manufacture such product. Generally, such demonstration of safety and efficacy includes preclinical testing and clinical trials of such product candidates. The testing, manufacture and marketing of pharmaceutical products in the U.S. requires the approval of the FDA. The FDA has established mandatory procedures and safety standards which apply to the preclinical testing and clinical trials, manufacture and marketing of these products. Similar standards are established by non-U.S. regulatory bodies for marketing approval of such products. Pharmaceutical marketing and manufacturing activities are also regulated by state, local and other authorities. The regulatory approval process in the U.S. is described in brief below.

As an initial step in the FDA regulatory approval process, preclinical studies are typically conducted in animal models to assess the drug's efficacy, identify potential safety problems and evaluate potential for harm to humans. The results of these studies must be submitted to the FDA as part of an investigational new drug application ("IND"), which must be reviewed by the FDA within 30 days of submission and before proposed clinical (human) testing can begin. If the FDA is not convinced of the product candidate's safety, it has the authority to place the program on hold at any time during the investigational stage and request additional animal data or changes to the study design. Studies supporting approval of products in the U.S. are typically accomplished under an IND.

Typically, clinical testing involves a three-phase process: phase 1 trials are conducted with a small number of healthy subjects and are designed to determine the early side effect profile and, perhaps, the pattern of drug distribution and metabolism; phase 2 trials are conducted on patients with a specific disease in order to determine appropriate dosages, expand evidence of the safety profile and, perhaps, provide preliminary evidence of product efficacy; and phase 3 trials are large-scale, comparative studies conducted on patients with a target disease in order to generate enough data to provide statistical evidence of efficacy and safety required by national regulatory agencies. The results of the preclinical testing and clinical trials of a pharmaceutical product, as well as the information on the manufacturing of the product and proposed labeling, are then submitted to the FDA in the form of a NDA or, for a biological product, a biologics license application ("BLA") for approval to commence commercial sales. Preparing such applications involves considerable data collection, verification, analysis and expense. In responding to an NDA or BLA, the FDA may grant marketing approval, request additional information or deny the application if it determines that the application does not satisfy its regulatory approval criteria. Submission of the application(s) for marketing authorization does not guarantee approval. At the same time, an FDA request for additional information does not mean the product will not be approved or that the FDA's review of the application will be significantly delayed. On occasion, regulatory authorities may require larger or additional studies, leading to unanticipated delay or expense. Even after initial FDA approval has been obtained, further clinical trials may be required to provide additional data on safety and efficacy. It is also possible that the labeling may be more limited than what was originally projected. Each marketing authorization application is unique and should be considered as such.

The receipt of regulatory approval often takes a number of years, involving the expenditure of substantial resources and depends on a number of factors, including the severity of the disease in question, the availability of alternative treatments and the risks and benefits demonstrated in clinical trials. Data obtained from preclinical testing and clinical trials are subject to varying interpretations, which can delay, limit or prevent FDA approval. In addition, changes in FDA approval policies or requirements may occur, or new regulations may be promulgated, which may result in delay or failure to receive FDA approval. Similar delays or failures may be encountered in foreign countries. Delays, increased costs and failures in obtaining regulatory approvals could have a material adverse effect on our business, results of operations and financial condition.

Regulatory authorities track information on side effects and adverse events reported during clinical studies and after marketing approval. Non-compliance with FDA safety reporting requirements may result in FDA regulatory action that may include civil action or criminal penalties. Side effects or adverse events that are reported during clinical trials can delay, impede or prevent marketing approval. Similarly, adverse events that

are reported after marketing approval can result in additional limitations being placed on the product's use and, potentially, withdrawal or suspension of the product from the market. Furthermore, recently enacted legislation provides the FDA with expanded authority over drug products after approval. This legislation enhances the FDA's authority with respect to post-marketing safety surveillance including, among other things, the authority to require additional post-approval studies or clinical trials and mandate label changes as a result of safety findings.

If we seek to make certain changes to an approved product, such as adding a new indication, making certain manufacturing changes, or changing manufacturers or suppliers of certain ingredients or components, we will need review and approval of regulatory authorities, including the FDA, the European Medicines Agency ("EMEA") and Japanese regulatory authorities before the changes can be implemented.

Good Manufacturing Processes ("cGMP")

Among the conditions for a NDA or BLA approval is the requirement that the prospective manufacturer's quality control and manufacturing procedures conform with cGMP. Before approval of an NDA or BLA, the FDA may perform a pre-approval inspection of a manufacturing facility to determine its compliance with cGMP and other rules and regulations. In complying with cGMP, manufacturers must continue to expend time, money and effort in the area of production and quality control to ensure full technical compliance. Similarly, NDA or BLA approval may be delayed or denied due to cGMP non-compliance or other issues at contract sites or suppliers included in the NDA or BLA, and the correction of these shortcomings may be beyond our control. Facilities are also subjected to the requirements of other government bodies, such as the U.S. Occupational Safety & Health Administration and the U.S. Environmental Protection Agency.

If, after receiving clearance from regulatory agencies, a company makes a material change in manufacturing equipment, location, or process, additional regulatory review and approval may be required. We also must adhere to cGMP and product-specific regulations enforced by the FDA following product approval. The FDA, the EMEA and other regulatory agencies also conduct regular, periodic visits to re-inspect equipment, facilities and processes following the initial approval of a product. If, as a result of these inspections, it is determined that our equipment, facilities or processes do not comply with applicable regulations and conditions of product approval, regulatory agencies may seek civil, criminal or administrative sanctions and/or remedies against us, including the suspension of our manufacturing operations.

Advertising and Promotion

The FDA regulates all advertising and promotion activities for products under its jurisdiction both prior to and after approval. A company can make only those claims relating to safety and efficacy that are approved by the FDA. Physicians may prescribe legally available drugs for uses that are not described in the drug's labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties, and often reflect a physician's belief that the off-label use is the best treatment for his or her patients. The FDA does not regulate the behavior of physicians in their choice of treatments, but the FDA regulations do impose stringent restrictions on manufacturers' communications regarding off-label uses. Failure to comply with applicable FDA requirements may subject a company to adverse publicity, enforcement action by the FDA, corrective advertising, and the full range of civil and criminal penalties available to the FDA.

Regulation Outside the U.S.

In the E.U., regulatory requirements and approval processes are similar in principle to those in the U.S. depending on the type of drug for which approval is sought. There are currently three potential tracks for marketing approval in E.U. countries: mutual recognition; decentralized procedures; and centralized procedures. These review mechanisms may ultimately lead to approval in all E.U. countries, but each method grants all participating countries some decision-making authority in product approval.

Sales and Marketing Regulations

We are also subject to various federal and state laws pertaining to health care "fraud and abuse," including anti-kickback laws and false claims laws. Anti-kickback laws make it illegal for a prescription drug manufacturer to solicit, offer, receive, or pay any remuneration in exchange for, or to induce, the referral of business, including the purchase or prescription of a particular drug. Due to the breadth of the statutory provisions and the absence of guidance in the form of regulations and very few court decisions addressing industry practices, it is possible that our practices might be challenged under anti-kickback or similar laws. False claims laws prohibit anyone from knowingly and willingly presenting, or causing to be presented for payment to third party payors (including Medicare and Medicaid) claims for reimbursed drugs or services that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. Our activities relating to the sale and marketing of our products may be subject to scrutiny under these laws. Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including fines and civil monetary penalties, as well as the possibility of exclusion from federal health care programs (including Medicare and Medicaid). If the government were to allege or convict us of violating these laws, our business could be harmed. In addition, there is ability for private individuals to bring similar actions. See the section of "Item 1A — Risk Factors" entitled "Failure to comply with government regulations regarding our products could harm our business" and "Our business is subject to extensive government regulation and oversight and changes in laws could adversely affect our revenues and profitability."

Our activities could be subject to challenge for the reasons discussed above and due to the broad scope of these laws and the increasing attention being given to them by law enforcement authorities. Further, there are an increasing number of state laws that require manufacturers to make reports to states on pricing and marketing information. Many of these laws contain ambiguities as to what is required to comply with the laws. Given the lack of clarity in laws and their implementation, our reporting actions could be subject to the penalty provisions of the pertinent state authorities.

Other Regulations

Foreign Corrupt Practices Act. We are also subject to the U.S. Foreign Corrupt Practices Act which prohibits corporations and individuals from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity.

Other Laws. Our present and future business has been and will continue to be subject to various other laws and regulations. Various laws, regulations and recommendations relating to safe working conditions, laboratory practices, the experimental use of animals, and the purchase, storage, movement, import and export and use and disposal of hazardous or potentially hazardous substances used in connection with our research work are or may be applicable to our activities. To date, compliance with laws and regulations relating to the protection of the environment has not had a material effect on capital expenditures, earnings or our competitive position. However, the extent of government regulation which might result from any legislative or administrative action cannot be accurately predicted.

Employees

As of May 20, 2009, we had approximately 570 full-time employees. A significant number of our management and professional employees have prior experience with pharmaceutical, biotechnology or medical product companies. We believe that we have been successful in attracting skilled and experienced scientific and senior management personnel, however, competition for such personnel is intense. None of our employees is covered by a collective bargaining agreement. We consider our relations with our employees to be good.

Available Information

We are a Pennsylvania corporation with principal executive offices located at 88 Sidney Street, Cambridge, Massachusetts 02139. Our telephone number is (617) 494-0171 and our website address is

www.alkermes.com. We make available free of charge through the Investor Relations section of our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). We include our website address in this Annual Report on Form 10-K only as an inactive textual reference and do not intend it to be an active link to our website. You may read and copy materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may get information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

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

If any of the following risks actually occur, they could materially adversely affect our business, financial condition or operating results. In that case, the trading price of our common stock could decline.

RISPERDAL CONSTA, VIVITROL and our product candidates may not generate significant revenues.

Even if a product candidate receives regulatory approval for commercial sale, the revenues received or to be received from the sale of the product may not be significant and will depend on numerous factors, many of which are outside of our control, including but not limited to those factors set forth below:

RISPERDAL CONSTA

We are not involved in the marketing or sales efforts for RISPERDAL CONSTA. Our revenues depend on manufacturing fees and royalties we receive from our partner for RISPERDAL CONSTA, each of which relates to sales of RISPERDAL CONSTA by our partner. For reasons outside of our control, including those mentioned below, sales of RISPERDAL CONSTA may not meet our partner's expectations.

VIVITROL

In April 2006, the FDA approved VIVITROL for the treatment of alcohol dependence in patients able to refrain from drinking prior to, and not actively drinking at the time of, treatment initiation. In June 2005, we entered into an agreement with Cephalon to develop and commercialize VIVITROL for the treatment of alcohol dependence in the U.S. and its territories. Under this agreement, Cephalon was primarily responsible for the marketing and sale of VIVITROL in the U.S., and we supported their efforts with a team of managers of market development. In November 2008, we and Cephalon agreed to end the collaboration for the development, supply and commercialization of certain products, including VIVITROL in the U.S., effective on the Termination Date, and we assumed the risks and responsibilities for the marketing and sale of VIVITROL in the U.S. We have very little sales and marketing experience. The revenues received or to be received from the sale of VIVITROL may not be significant and will depend on numerous factors, many of which are outside of our control, including but not limited to those specified below.

In December 2007, we entered into a license and commercialization agreement with Cilag to commercialize VIVITROL for the treatment of alcohol dependence and opioid dependence in Russia and other countries in the CIS. Under the terms of the agreement, Cilag will have primary responsibility for securing all necessary regulatory approvals for VIVITROL and Janssen-Cilag, an affiliate of Cilag, will commercialize the product. We are responsible for the manufacture of VIVITROL and receive manufacturing and royalty revenues based upon product sales. The revenues received or to be received from the sale of VIVITROL under the agreement with Cilag may not be significant and will depend on numerous factors, many of which are outside of our control, including but not limited to those specified below.

There can be no assurance that the phase 3 clinical trial results and other clinical and preclinical data will be sufficient to obtain regulatory approvals for VIVITROL elsewhere in the world. Even if regulatory approvals are received in countries other than the U.S., Russia and countries of the CIS, we will have to

market VIVITROL ourselves in these countries or enter into co-promotion or sales and marketing arrangements with other companies for VIVITROL sales and marketing activities in these countries.

We cannot be assured that RISPERDAL CONSTA and VIVITROL will be, or will continue to be, accepted in the U.S. or in any foreign markets or that sales of either of these products will not decline in the future or end. A number of factors may cause our revenues from RISPERDAL CONSTA and VIVITROL (and any of our product candidates that we develop, if and when approved) to grow at a slower than expected rate, or even to decrease or end, including:

- perception of physicians and other members of the health care community of their safety and efficacy relative to that of competing products;
- their cost-effectiveness;
- patient and physician satisfaction with these products;
- the ability to manufacture commercial products successfully and on a timely basis;
- the cost and availability of raw materials;
- the size of the markets for these products;
- reimbursement policies of government and third-party payors;
- unfavorable publicity concerning these products or similar drugs;
- the introduction, availability and acceptance of competing treatments, including those of our collaborators;
- the reaction of companies that market competitive products;
- adverse event information relating to these products;
- changes to product labels to add significant warnings or restrictions on use;
- the continued accessibility of third parties to vial, label and distribute these products on acceptable terms;
- the unfavorable outcome of patent litigation related to any of these products;
- regulatory developments related to the manufacture or continued use of these products, including the issuance of a risk evaluation and mitigation strategy (REMS) by the FDA;
- the extent and effectiveness of the sales and marketing and distribution support these products receive;
- our collaborators' decisions as to the timing of product launches, pricing and discounting; and
- any other material adverse developments with respect to the commercialization of these products.

Our revenues will fluctuate from quarter to quarter based on a number of factors, including the acceptance of RISPERDAL CONSTA and VIVITROL in the marketplace, our partners' orders, the timing of shipments, our ability to manufacture successfully, our yield and our production schedule. The costs to manufacture RISPERDAL CONSTA and VIVITROL may be higher than anticipated if certain volume levels are not achieved. In addition, we may not be able to supply the products in a timely manner. If RISPERDAL CONSTA and VIVITROL do not produce significant revenues or if we are unable to supply our partners' requirements, our business, results of operations and financial condition would be materially adversely affected.

We are substantially dependent on revenues from our principal product.

Our current and future revenues depend substantially upon continued sales of RISPERDAL CONSTA by our partner, Janssen. Any significant negative developments relating to this product, such as safety or efficacy issues, the introduction or greater acceptance of competing products or adverse regulatory or legislative

developments, would have a material adverse effect on our results of operations. Although we have developed and continue to develop additional products for commercial introduction, we expect to be substantially dependent on sales from this product for the foreseeable future. A decline in sales from this product would adversely affect our business.

We are subject to risks related to the manufacture of our products.

We currently manufacture RISPERDAL CONSTA, VIVITROL, polymer for exenatide once weekly and some of our product candidates. The manufacture of drugs for clinical trials and for commercial sale is subject to regulation by the FDA under cGMP regulations and by other regulators under other laws and regulations. We may not be able to successfully manufacture our products under cGMP regulations or other laws and regulations in sufficient quantities for commercial sale, or in a timely or economical manner.

The manufacture of pharmaceutical products is a highly complex process in which a variety of difficulties may arise from time to time, including but not limited to product loss due to material equipment failure, or vendor or operator error. Problems with manufacturing processes could result in product defects or manufacturing failures, which could require us to delay shipment of products or recall products previously shipped, or could impair our ability to expand into new markets or supply products in existing markets. Any such problem would be exacerbated by unexpected demand for our products. We may not be able to resolve any such problems in a timely fashion, if at all. We are presently the sole manufacturer of RISPERDAL CONSTA, VIVITROL and polymer for exenatide once weekly. Also, our manufacturing facility in Ohio is the sole source of supply for all of our injectable product candidates and products, including RISPERDAL CONSTA, VIVITROL and polymer for exenatide once weekly. If we are not able to add additional capacity or if anything were to interfere with our continuing manufacturing operations, it would materially adversely affect our business, results of operations and financial condition.

If we cannot produce sufficient commercial quantities of our products to meet demand, we would need to rely on third-party manufacturers, of which there are currently very few, if any, capable of manufacturing our products as contract suppliers. We cannot be certain that we could reach agreement on reasonable terms, if at all, with those manufacturers. Even if we were to reach agreement, the transition of the manufacturing process to a third party to enable commercial supplies could take a significant amount of time and may not be successful.

If those product candidates which we will manufacture ourselves' progress to mid-to-late-stage development, we may incur significant expenses in the expansion and/or construction of manufacturing facilities and increases in personnel in order to manufacture product candidates. The development of a commercial-scale manufacturing process is complex and expensive. We cannot be certain that we have the necessary funds or that we will be able to develop this manufacturing infrastructure in a timely or economical manner or at all. For product candidates that we will not manufacture ourselves, we will rely on third party manufacturers. We have very little experience managing third party manufacturers.

Currently, several of our product candidates are manufactured in small quantities for use in clinical trials by third party manufacturers. We cannot be assured that we will be able to have manufactured each of our product candidates at a commercial scale in a timely or economical manner or at all. If any of these product candidates are approved by the FDA or other drug regulatory authorities for commercial sale, we will need to manufacture them or have them manufactured in larger quantities. If we are unable to successfully obtain commercial scale manufacturing capacity for such product candidates, the regulatory approval or commercial launch of such product candidates may be delayed, there may be a shortage in supply of such product candidates or our margins may become uneconomical.

Our manufacturing facilities require specialized personnel and are expensive to operate and maintain. Any delay in the regulatory approval or market launch of product candidates, or suspension of the sale of our products, to be manufactured in these facilities will require us to continue to operate these expensive facilities and retain specialized personnel, which may cause operating losses.

If we fail to develop manufacturing capacity and experience, or fail to manufacture or have manufactured our products economically on a commercial scale or in commercial volumes, or in accordance with cGMP regulations, our development programs and our ability to commercialize any approved products will be materially adversely affected. This may result in delays in receiving FDA or foreign regulatory approval for one or more of our product candidates or delays in the commercial production of a product that has already been approved. Any such delays could materially adversely affect our business, results of operations and financial condition.

VIVITROL may not be successfully marketed and sold by Alkermes and may not generate significant revenues.

In November 2008, we ended our collaboration with Cephalon related to VIVITROL. As part of the termination, we assumed all risks and responsibilities associated with the marketing and sale of VIVITROL. The revenues from the sale of VIVITROL have not been and may not become significant and will depend on numerous factors including but not limited to those specified below.

We have little experience with the commercialization of pharmaceutical products, including the marketing and sale of prescription drugs. We must build an infrastructure to support the sales and marketing of VIVITROL, including integrating former members of the Cephalon sales force with our existing field force to build our own sales force, building a distribution and expanded commercial infrastructure and providing various support services for the sales force. Our ability to realize significant revenues from the marketing and sales activities associated with VIVITROL depends on our ability to retain qualified sales personnel for the sale and marketing of VIVITROL. We must also be able to attract new qualified sales personnel as needed to support potential sales growth and competition for qualified sales personnel is intense. Any failure to attract and retain qualified sales personnel now and in the future, could impair our ability to maintain sales levels and/or support potential future sales growth.

We are responsible for the entire supply chain and distribution network for VIVITROL. We have limited experience in managing a complex, cGMP supply chain and pharmaceutical product distribution network. The manufacture of products and product components, packaging, storage and distribution of our products require successful coordination among ourselves and multiple third party providers. Issues with third parties who are part of our supply chain, including but not limited to suppliers, third party logistics providers, distributors, wholesalers and specialty pharmacies may have a material adverse effect on our business, results of operations and financial condition. Our inability to coordinate these efforts, the lack of capacity available from third parties or any other problems with third party operators could cause a delay in shipment of saleable products, a recall of products previously shipped or an impairment of our ability to supply products at all. These setbacks could increase our costs, cause us to lose revenue or market share and damage our reputation.

Sales of our products are dependent, in part, on the availability of reimbursement from third-party payors such as federal and state government agencies under programs such as Medicare and Medicaid, and private insurance plans and a reduction in payment rate or reimbursement could result in decreased use or sales of our products.

In both domestic and foreign markets, sales of our products are dependent, in part, on the availability of reimbursement from third party payors such as state and federal governments, under programs such as Medicare and Medicaid in the U.S. and private insurance plans. In certain foreign markets, the pricing and profitability of our products, such as RISPERDAL CONSTA, generally are subject to government controls. In the U.S., there have been, there are, and we expect there will continue to be, a number of state and federal proposals that could limit the amount that state or federal governments will pay to reimburse the cost of pharmaceutical products. In addition, we believe that private insurers, such as managed care organizations, may adopt their own reimbursement reductions unilaterally, or in response to any such federal legislation. Reduction in reimbursement for our products could have a material adverse effect on our results of operations and financial condition.

Also, we believe the increasing emphasis on management of the utilization and cost of healthcare in the U.S. has and will continue to put pressure on the price and usage of our products, which may materially adversely impact product sales. We cannot predict the availability or amount of reimbursement for VIVITROL and current reimbursement policies may change at any time. We may not be able to sell VIVITROL profitably if reimbursement is unavailable or coverage is limited in scope or amount. If reimbursement for VIVITROL changes adversely, health care providers may limit how much or under what circumstances they will prescribe or administer VIVITROL, which could reduce use of VIVITROL or cause us to reduce the price of our product.

Additionally, we have assumed all of the risks and responsibilities associated with the additional development of VIVITROL, including regulatory approval and costs. We are currently conducting a randomized, multi-center registration study of VIVITROL in Russia for the treatment of opioid dependence. Clinical data from this study may form the basis of a sNDA to the FDA for VIVITROL for the treatment of opioid dependence. However, there is no assurance that the data from this study or any clinical or preclinical data will be sufficient to gain regulatory approval of VIVITROL for opioid dependence in the U.S. or other countries. Approval of VIVITROL for alcohol dependence in countries outside of the U.S., except for Russia and other countries in the CIS, and approval of VIVITROL for other indications in the U.S. and countries outside of the U.S. will depend on our sponsoring such efforts ourselves, including conducting additional clinical studies, which can be very costly, or entering into co-development, co-promotion or sales and marketing agreements with collaborators.

Further, when a new therapeutic product is approved, the availability of governmental and/or private reimbursement for that product is uncertain, as is the amount for which that product will be reimbursed. We cannot predict the availability or amount of reimbursement for our approved products or product candidates, including those at any stage of development, and current reimbursement policies for marketed products may change at any time.

If federal or state legislation is adopted substantially changing the way health insurance is provided to individuals in the U.S., if reimbursement for our products changes adversely or if we fail to obtain adequate reimbursement for our current or future products, healthcare providers may limit how much or under what circumstances they will prescribe or administer them, or patients may be unwilling to pay any required co-payments, which could reduce the use of our products or cause us to reduce the price of our products, either or both of which could have a material adverse effect on our business, results of operations and financial condition.

Our customer base who purchase VIVITROL directly from us is highly concentrated.

Our principal customers for VIVITROL are wholesale drug distributors. These customers comprise a significant part of the distribution network for pharmaceutical products in the U.S. Three large wholesale distributors, Cardinal, McKesson and Amerisource, control a significant share of this network. Fluctuations in the buying patterns of these customers, which may result from seasonality, wholesaler buying decisions or other factors outside of our control, could significantly affect the level of our net sales on a period-to-period basis. The impact on net sales could have a material impact on our financial condition, cash flows and results of operations.

In an effort to combat the fluctuations in the buying patterns and the potential harm to our financial condition, we have entered into wholesaler distribution service agreements, (“DSAs”), with our three largest wholesale drug distributors. Under the DSAs, we will pay the wholesalers a fee. We believe it is beneficial to enter into DSAs to establish specified levels of product inventory to be maintained by our wholesalers and to obtain more precise information as to the level of our product inventory available throughout the product distribution channel. We cannot be certain that the DSAs will be effective in limiting speculative purchasing activity, that there will not be a future drawdown of inventory as a result of declining minimum inventory requirements, or otherwise, or that the inventory level data provided through our DSAs are accurate. If speculative purchasing does occur, if the wholesalers significantly decrease their inventory levels, or if

inventory level data provided through DSAs is inaccurate, our business, financial condition, cash flows and results of operations may be adversely affected.

There are risks in the manufacturing and distribution of our products and product candidates.

We are responsible for the entire supply chain for VIVITROL, up to sale of final product and including the sourcing of raw materials and active pharmaceutical agents from third parties. We have limited experience in managing a complex, cGMP supply chain and issues with our supply sources may have a material adverse effect on our business, results of operations and financial condition. The manufacture of products and product components, including the procurement of bulk drug product, packaging, storage and distribution of our products require successful coordination among ourselves and multiple third party providers. Our inability to coordinate these efforts, the lack of capacity available at the third party contractor or any other problems with the operations of these third party contractors could require us to delay shipment of saleable products; recall products previously shipped or could impair our ability to supply products at all. This could increase our costs, cause us to lose revenue or market share and damage our reputation. Any third party we use to manufacture bulk drug product, package, store or distribute our products to be sold in the U.S. must be licensed by the FDA. As a result, alternative third party providers may not be readily available on a timely basis.

None of our drug delivery technologies can be commercialized as a stand-alone product but must be combined with a drug. To develop any new proprietary product candidate using one of these technologies, we must obtain the drug substance from another party. We cannot be assured that we will be able to obtain any such drug substance on reasonable terms, if at all.

Due to the unique nature of the production of our products, there are several single source providers of our raw materials. We endeavor to qualify new vendors and to develop contingency plans so that production is not impacted by issues associated with single source providers. Nonetheless, our business could be materially impacted by issues associated with single source providers.

We rely on third parties for the timely supply of specified raw materials, equipment, contract manufacturing, formulation or packaging services, product distribution services, customer service activities and product returns processing. Although we actively manage these third party relationships to ensure continuity and quality, some events beyond our control could result in the complete or partial failure of these goods and services. Any such failure could materially adversely affect our business, results of operations and financial condition.

The manufacture of our products is subject to government regulation.

We and our third party providers are generally required to maintain compliance with cGMP and are subject to inspections by the FDA or comparable agencies in other jurisdictions to confirm such compliance. Any changes of suppliers or modifications of methods of manufacturing require amending our application to the FDA and ultimate amendment acceptance by the FDA prior to release of product to the marketplace. Our inability or the inability of our third party service providers to demonstrate ongoing cGMP compliance could require us to withdraw or recall product and interrupt commercial supply of our products. Any delay, interruption or other issues that arise in the manufacture, formulation, packaging, or storage of our products as a result of a failure of our facilities or the facilities or operations of third parties to pass any regulatory agency inspection could significantly impair our ability to develop and commercialize our products. This could increase our costs, cause us to lose revenue or market share and damage our reputation.

The FDA, European and Japanese regulatory authorities have inspected and approved our manufacturing facility for RISPERDAL CONSTA, and the FDA has inspected and approved the same manufacturing facility for VIVITROL. We cannot guarantee that the FDA or any foreign regulatory agencies will approve any other facility we may operate or, once approved, that any of our facilities will remain in compliance with cGMP regulations. If we fail to gain or maintain FDA and foreign regulatory compliance, our business, results of operations and financial condition could be materially adversely affected.

Our business involves environmental risks.

Our business involves the controlled use of hazardous materials and chemicals. Although we believe that our safety procedures for handling and disposing of such materials comply with state and federal standards, there will always be the risk of accidental contamination or injury. If we were to become liable for an accident, or if we were to suffer an extended facility shutdown, we could incur significant costs, damages and penalties that could materially harm our business, results of operations and financial condition.

We rely heavily on collaborative partners.

Our arrangements with collaborative partners are critical to our success in bringing our products and product candidates to the market and promoting such marketed products profitably. We rely on these parties in various respects, including to conduct preclinical testing and clinical trials, to provide funding for product candidate development programs, raw materials, product forecasts, and sales and marketing services, to create and manage the distribution model for our commercial products, to commercialize our products, or to participate actively in or to manage the regulatory approval process. Most of our collaborative partners can terminate their agreements with us for no reason and on limited notice. We cannot guarantee that any of these relationships will continue. Failure to make or maintain these arrangements or a delay in a collaborative partner's performance or factors that may affect our partner's sales may materially adversely affect our business, results of operations and financial condition.

We cannot control our collaborative partners' performance or the resources they devote to our programs. Consequently, programs may be delayed or terminated or we may have to use funds, personnel, laboratories and other resources that we have not budgeted. A program delay or termination or unbudgeted use of our resources may materially adversely affect our business, results of operations and financial condition.

Disputes may arise between us and a collaborative partner and may involve the issue of which of us owns the technology that is developed during a collaboration or other issues arising out of the collaborative agreements. Such a dispute could delay the program on which the collaborative partner or we are working. It could also result in expensive arbitration or litigation, which may not be resolved in our favor.

A collaborative partner may choose to use its own or other technology to develop a way to deliver its drug and withdraw its support of our product candidate, or compete with our jointly developed product.

Our collaborative partners could merge with or be acquired by another company or experience financial or other setbacks unrelated to our collaboration that could, nevertheless, materially adversely affect our business, results of operations and financial condition.

We have very little sales and marketing experience and limited sales capabilities, which may make commercializing our products difficult.

We currently have very little marketing experience and limited sales capabilities. Therefore, in order to commercialize our product candidates, we must either develop our own marketing and distribution sales capabilities or collaborate with a third party to perform these functions. We may, in some instances, rely significantly on sales, marketing and distribution arrangements with our collaborative partners and other third parties. For example, we rely completely on Janssen to market, sell and distribute RISPERDAL CONSTA, and will rely upon Lilly and Amylin to market and distribute exenatide once weekly. In these instances, our future revenues will be materially dependent upon the success of the efforts of these third parties.

In November 2008, we and Cephalon agreed to end the collaboration for the development, supply and commercialization of certain products, including VIVITROL in the U.S., effective on the Termination Date, and we assumed the risks and responsibilities for the marketing and sale of VIVITROL in the U.S. As of the Termination Date, Cephalon is no longer responsible for the marketing and sale of VIVITROL in the U.S., and we are responsible for all VIVITROL profits or losses. In order to facilitate the full transfer of all commercialization of VIVITROL to us, Cephalon, at our option, is performing certain transition services on our behalf until May 31, 2009 at an FTE rate agreed to by the parties. We have limited experience in the commercialization of pharmaceutical products. We may not be able to attract and retain qualified personnel to

serve in our sales and marketing organization, to develop an effective distribution network or to otherwise effectively support our commercialization activities. The cost of establishing and maintaining a sales and marketing organization may exceed its cost effectiveness. If we fail to develop sales and marketing capabilities, if sales efforts are not effective or if costs of developing sales and marketing capabilities exceed their cost effectiveness, our business, results of operations and financial condition would be materially adversely affected.

Our delivery technologies or product development efforts may not produce safe, efficacious or commercially viable products.

Many of our product candidates require significant additional research and development, as well as regulatory approval. To be profitable, we must develop, manufacture and market our products, either alone or by collaborating with others. It can take several years for a product candidate to be approved and we may not be successful in bringing additional product candidates to the market. A product candidate may appear promising at an early stage of development or after clinical trials and never reach the market, or it may reach the market and not sell, for a variety of reasons. The product candidate may:

- be shown to be ineffective or to cause harmful side effects during preclinical testing or clinical trials;
- fail to receive regulatory approval on a timely basis or at all;
- be difficult to manufacture on a large scale;
- be uneconomical; or
- infringe on proprietary rights of another party.

For factors that may affect the market acceptance of our products approved for sale, see risk factor “We face competition in the biotechnology and pharmaceutical industries, and others.” If our delivery technologies or product development efforts fail to result in the successful development and commercialization of product candidates, if our collaborative partners decide not to pursue our product candidates or if new products do not perform as anticipated, our business, results of operations and financial condition will be materially adversely affected.

Clinical trials for our product candidates are expensive and their outcome is uncertain.

Conducting clinical trials is a lengthy, time-consuming and expensive process. Before obtaining regulatory approvals for the commercial sale of any products, we or our partners must demonstrate through preclinical testing and clinical trials that our product candidates are safe and effective for use in humans. We have incurred, and we will continue to incur, substantial expense for, and devote a significant amount of time to, preclinical testing and clinical trials.

Historically, the results from preclinical testing and early clinical trials often have not predicted results of later clinical trials. A number of new drugs have shown promising results in clinical trials, but subsequently failed to establish sufficient safety and efficacy data to obtain necessary regulatory approvals. Clinical trials conducted by us, by our collaborative partners or by third parties on our behalf may not demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals for our product candidates. Regulatory authorities may not permit us to undertake any additional clinical trials for our product candidates, and it may be difficult to design efficacy studies for product candidates in new indications.

Clinical trials of some of our product candidates involve both a technology and a drug. This makes testing more complex because the outcome of the trials depends on the performance of technology in combination with a drug.

We have other product candidates in preclinical development. Preclinical and clinical development efforts performed by us may not be successfully completed. Completion of clinical trials may take several years or more. The length of time can vary substantially with the type, complexity, novelty and intended use of the

product candidate. The commencement and rate of completion of clinical trials may be delayed by many factors, including:

- the potential delay by a collaborative partner in beginning the clinical trial;
- the inability to recruit clinical trial participants at the expected rate;
- the failure of clinical trials to demonstrate a product candidate's safety or efficacy;
- the inability to follow patients adequately after treatment;
- unforeseen safety issues;
- the inability to manufacture sufficient quantities of materials used for clinical trials; and
- unforeseen governmental or regulatory delays.

If a product candidate fails to demonstrate safety and efficacy in clinical trials, this failure may delay development of other product candidates and hinder our ability to conduct related preclinical testing and clinical trials. As a result of these failures, we may then be unable to find additional collaborative partners or to obtain additional financing. Our business, results of operations and financial condition may be materially adversely affected by any delays in, or termination of, our clinical trials.

We depend on third parties in the conduct of our clinical trials for our product candidates and any failure of those parties to fulfill their obligations could adversely affect our development and commercialization plans.

We depend on independent clinical investigators, contract research organizations and other third party service providers and our collaborators in the conduct of our clinical trials for our product candidates. We rely heavily on these parties for successful execution of our clinical trials but do not control many aspects of their activities. For example, the investigators are not our employees. However, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Third parties may not complete activities on schedule or may not conduct our clinical trials in accordance with regulatory requirements or our stated protocols. The failure of these third parties to carry out their obligations could delay or prevent the development, approval and commercialization of our product candidates.

We may not become profitable on a sustained basis.

At March 31, 2009, our accumulated deficit was $326.1 million, which is primarily the result of net losses incurred from 1987, the year we were founded, to date, partially offset by net income over the past four fiscal years. There can be no assurance we will achieve sustained profitability.

A major component of our revenue is dependent on our partners' and our ability to sell, and our ability to manufacture economically, our marketed products RISPERDAL CONSTA and VIVITROL. In addition, if VIVITROL sales are not sufficient, we could have significant losses in the future due to ongoing expenses to develop and commercialize VIVITROL.

Our ability to achieve sustained profitability in the future depends, in part, on our ability to:

- obtain and maintain regulatory approval for our products and product candidates, and for our partnered products, including exenatide once weekly, both in the U.S. and in foreign countries;
- efficiently manufacture our commercial products;
- support the marketing and sale of RISPERDAL CONSTA by our partner Janssen;
- successfully commercialize VIVITROL in the U.S.;
- support the marketing and sale of VIVITROL in Russia by our partner Cilag;
- enter into agreements to develop and commercialize our products and product candidates;

- develop, have manufactured or expand our capacity to manufacture and market our products and product candidates;
- obtain adequate reimbursement coverage for our products from insurance companies, government programs and other third party payors;
- obtain additional research and development funding from collaborative partners or funding for our proprietary product candidates; and
- achieve certain product development milestones.

In addition, the amount we spend will impact our profitability. Our spending will depend, in part, on:

- the progress of our research and development programs for proprietary and collaborative product candidates, including clinical trials;
- the time and expense that will be required to pursue FDA and/or foreign regulatory approvals for our product candidates and whether such approvals are obtained;
- the time and expense required to prosecute, enforce and/or challenge patent and other intellectual property rights;
- the cost of building, operating and maintaining manufacturing and research facilities;
- the cost of third party manufacture;
- the number of product candidates we pursue, particularly proprietary product candidates;
- how competing technological and market developments affect our product candidates;
- the cost of possible acquisitions of technologies, compounds, product rights or companies;
- the cost of obtaining licenses to use technology owned by others for proprietary products and otherwise;
- the costs of potential litigation; and
- the costs associated with recruiting and compensating a highly skilled workforce in an environment where competition for such employees may be intense.

We may not achieve any or all of these goals and, thus, we cannot provide assurances that we will ever be profitable on a sustained basis or achieve significant revenues. Even if we do achieve some or all of these goals, we may not achieve significant or sustained commercial success.

We may require additional funds to complete our programs and such funding may not be available on commercially favorable terms and may cause dilution to our existing shareholders.

We may require additional funds to complete any of our programs, and we may seek funds through various sources, including debt and equity offerings, corporate collaborations, bank borrowings, arrangements relating to assets, sale of royalty streams we receive on our products or other financing methods or structures. The source, timing and availability of any financings will depend on market conditions, interest rates and other factors. If we are unable to raise additional funds on terms that are favorable to us, we may have to cut back significantly on one or more of our programs or give up some of our rights to our technologies, product candidates or licensed products. If we issue additional equity securities or securities convertible into equity securities to raise funds, our shareholders will suffer dilution of their investment and it may adversely affect the market price of our common stock.

The FDA or foreign regulatory agencies may not approve our product candidates.

Approval from the FDA is required to manufacture and market pharmaceutical products in the U.S. Regulatory agencies in foreign countries have similar requirements. The process that pharmaceutical products must undergo to obtain this approval is extensive and includes preclinical testing and clinical trials to demonstrate

safety and efficacy and a review of the manufacturing process to ensure compliance with cGMP regulations. The FDA or foreign regulatory agencies may choose not to communicate with or update us during clinical testing and regulatory review periods. The ultimate decision by the FDA or foreign regulatory agencies regarding drug approval may not be consistent with prior communications. See risk factor "RISPERDAL CONSTA, VIVITROL and our product candidates may not generate significant revenues."

This process can last many years, be very costly and still be unsuccessful. FDA or foreign regulatory approval can be delayed, limited or not granted at all for many reasons, including:

- a product candidate may not be safe or effective;
- data from preclinical testing and clinical trials may be interpreted by the FDA or foreign regulatory agencies in different ways than we or our partners interpret it;
- the FDA or foreign regulatory agencies might not approve our or our partners' manufacturing processes or facilities;
- the FDA or foreign regulatory agencies may change their approval policies or adopt new regulations;
- a product candidate may not be approved for all the indications we or our partners' request; and
- the FDA or foreign regulatory agencies may not agree with our or our partners' regulatory approval strategies or components of our or our partners' filings, such as clinical trial designs.

For some product candidates utilizing our drug delivery technologies, the drug used may not have been approved at all or may not have been approved for every indication for which it is being tested. Any delay in the approval process for any of our product candidates will result in increased costs that could materially adversely affect our business, results of operations and financial condition.

Regulatory approval of a product candidate generally is limited to specific therapeutic uses for which the product has demonstrated safety and efficacy in clinical testing. Approval of a product candidate could also be contingent on post-marketing studies. In addition, any marketed drug and its manufacturer continue to be subject to strict regulation after approval. Any unforeseen problems with an approved drug or any violation of regulations could result in restrictions on the drug, including its withdrawal from the market.

Our business is subject to extensive governmental regulation and oversight and changes in laws could adversely affect our revenues and profitability.

Our business is subject to extensive government regulation and oversight. As a result, we may become subject to governmental actions which could materially adversely affect our business, results of operations and financial condition, including:

- new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to patent protection and enforcement, health care availability, method of delivery and payment for health care products and services or our business operations generally;
- changes in the FDA and foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity;
- new laws, regulations and judicial decisions affecting pricing or marketing; and
- changes in the tax laws relating to our operations.

In addition, the Food and Drug Administration Amendments Act of 2007 included new authorization for the FDA to require post-market safety monitoring, along with a clinical trials registry, and expanded authority for FDA to impose civil monetary penalties on companies that fail to meet certain commitments.

Failure to comply with government regulations regarding our products could harm our business.

Our activities, including the sale and marketing of our products, are subject to extensive government regulation and oversight, including regulation under the federal Food, Drug and Cosmetic Act and other

federal and state statutes. We are also subject to the provisions of the Federal Anti-Kickback Statute and several similar state laws, which prohibit payments intended to induce physicians or others either to purchase or arrange for or recommend the purchase of healthcare products or services. While the federal law applies only to products or services for which payment may be made by a federal healthcare program, state laws may apply regardless of whether federal funds may be involved. These laws constrain the sales, marketing and other promotional activities of manufacturers of drugs and biologicals, such as us, by limiting the kinds of financial arrangements, including sales programs, with hospitals, physicians, and other potential purchasers of drugs and biologicals. Other federal and state laws generally prohibit individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third party payors that are false or fraudulent, or are for items or services that were not provided as claimed. Anti-kickback and false claims laws prescribe civil and criminal penalties for noncompliance that can be substantial, including the possibility of exclusion from federal healthcare programs (including Medicare and Medicaid).

Pharmaceutical and biotechnology companies have been the target of lawsuits and investigations alleging violations of government regulation, including claims asserting antitrust violations, violations of the Federal False Claim Act, the Anti-Kickback Statute, the Prescription Drug Marketing Act and other violations in connection with off-label promotion of products and Medicare and/or Medicaid reimbursement or related to environmental matters and claims under state laws, including state anti-kickback and fraud laws.

While we continually strive to comply with these complex requirements, interpretations of the applicability of these laws to marketing practices are ever evolving. If any such actions are instituted against us or our collaboration partners and we are not successful in defending ourselves or asserting our rights, those actions could have a significant and material impact on our business, including the imposition of significant fines or other sanctions. Even an unsuccessful challenge could cause adverse publicity and be costly to respond to, and thus could have a material adverse effect on our business, results of operations and financial condition.

If and when approved, the commercial use of our products may cause unintended side effects or adverse reactions or incidence of misuse may occur.

We cannot predict whether the commercial use of products (or product candidates in development, if and when they are approved for commercial use) will produce undesirable or unintended side effects that have not been evident in the use of, or in clinical trials conducted for, such products (and product candidates) to date. Additionally, incidents of product misuse may occur. These events, among others, could result in product recalls, product liability actions or withdrawals or additional regulatory controls, all of which could have a material adverse effect on our business, results of operations and financial condition.

Patent protection for our products is important and uncertain.

The following factors are important to our success:

- receiving and maintaining patent protection for our products and product candidates, including those which are the subject of collaborations with our collaborative partners;
- maintaining our trade secrets;
- not infringing the proprietary rights of others; and
- preventing others from infringing our proprietary rights.

Patent protection only provides rights of exclusivity for the term of the patent. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary rights are covered by valid and enforceable patents or are effectively maintained as trade secrets.

We know of several U.S. patents issued to third parties that may relate to our product candidates. We also know of patent applications filed by other parties in the U.S. and various foreign countries that may relate to some of our product candidates if such patents are issued in their present form. If patents are issued that cover our product candidates, we may not be able to manufacture, use, offer for sale, import or sell some of them without first getting a license from the patent holder. The patent holder may not grant us a license on

reasonable terms or it may refuse to grant us a license at all. This could delay or prevent us from developing, manufacturing or selling those of our product candidates that would require the license. A patent holder might also file an infringement action against us claiming that the manufacture, use, offer for sale, import or sale of our product candidates infringed one or more of its patents. Our cost of defending such an action is likely to be high and we might not receive a favorable ruling.

We try to protect our proprietary position by filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business. Our pending patent applications, together with those we may file in the future, or those we may license from third parties, may not result in patents being issued. Even if issued, such patents may not provide us with sufficient proprietary protection or competitive advantages against competitors with similar technology. Because the patent position of pharmaceutical and biotechnology companies involves complex legal and factual questions, enforceability of patents cannot be predicted with certainty. The ultimate degree of patent protection that will be afforded to biotechnology products and processes, including ours, in the U.S. and in other important markets remains uncertain and is dependent upon the scope of protection decided upon by the patent offices, courts and lawmakers in these countries, including, within the U.S., possible new patent legislation or regulations. Patents, if issued, may be challenged, invalidated or circumvented. The laws of certain foreign countries may not protect our intellectual property rights to the same extent as do the laws of the U.S. Thus, any patents that we own or license from others may not provide any protection against competitors. Furthermore, others may independently develop similar technologies outside the scope of our patent coverage.

We also rely on trade secrets, know-how and technology, which are not protected by patents, to maintain our competitive position. We try to protect this information by entering into confidentiality agreements with parties that have access to it, such as our collaborative partners, licensees, employees and consultants. Any of these parties may breach the agreements and disclose our confidential information or our competitors might learn of the information in some other way. If any trade secret, know-how or other technology not protected by a patent were to be disclosed to, or independently developed by, a competitor, our business, results of operations and financial condition could be materially adversely affected.

As more products are commercialized using our technologies, or as any product achieves greater commercial success, our patents become more likely to be subject to challenge by potential competitors.

Uncertainty over intellectual property in the biotechnology industry has been the source of litigation, which is inherently costly and unpredictable.

We are aware that others, including various universities and companies working in the biotechnology field, have filed patent applications and have been granted patents in the U.S. and in other countries claiming subject matter potentially useful to our business. Some of those patents and patent applications claim only specific products or methods of making such products, while others claim more general processes or techniques useful or now used in the biotechnology industry. There is considerable uncertainty within the biotechnology industry about the validity, scope and enforceability of many issued patents in the U.S. and elsewhere in the world, and, to date, there is no consistent policy regarding the breadth of claims allowed in biotechnology patents. We cannot currently determine the ultimate scope and validity of patents which may be granted to third parties in the future or which patents might be asserted to be infringed by the manufacture, use and sale of our products.

There has been, and we expect that there may continue to be, significant litigation in the industry regarding patents and other intellectual property rights. Litigation and administrative proceedings concerning patents and other intellectual property rights may be protracted, expensive and distracting to management. Competitors may sue us as a way of delaying the introduction of our products. Any litigation, including any interference proceedings to determine priority of inventions, oppositions to patents in foreign countries or litigation against our partners may be costly and time consuming and could harm our business. We expect that litigation may be necessary in some instances to determine the validity and scope of certain of our proprietary rights. Litigation may be necessary in other instances to determine the validity, scope and/or noninfringement

of certain patent rights claimed by third parties to be pertinent to the manufacture, use or sale of our products. Ultimately, the outcome of such litigation could adversely affect the validity and scope of our patent or other proprietary rights, or, conversely, hinder our ability to manufacture and market our products.

We may be exposed to product liability claims and recalls.

We may be exposed to product liability claims arising from the testing, manufacture and commercial sale of RISPERDAL CONSTA and VIVITROL, or the use of our product candidates in clinical trials or commercially, once approved. These claims may be brought by consumers, clinical trial participants, our collaborative partners or third parties selling the products. We currently carry product liability insurance coverage in such amounts as we believe are sufficient for our business. However, we cannot provide any assurance that this coverage will be sufficient to satisfy any liabilities that may arise. As our development activities progress and we continue to have commercial sales, this coverage may be inadequate, we may be unable to obtain adequate coverage at an acceptable cost or we may be unable to get adequate coverage at all or our insurer may disclaim coverage as to a future claim. This could prevent or limit our commercialization of our product candidates or commercial sales of our products. Even if we are able to maintain insurance that we believe is adequate, our results of operations and financial condition may be materially adversely affected by a product liability claim. Uncertainties resulting from the initiation and continuation of products liability litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Products liability litigation and other related proceedings may also absorb significant management time.

Additionally, product recalls may be issued at our discretion or at the direction of the FDA, other government agencies or other companies having regulatory control for pharmaceutical product sales. We cannot assure you that product recalls will not occur in the future or that, if such recalls occur, such recalls will not adversely affect our business, results of operations and financial condition or reputation.

We may not be successful in the development of products for our own account.

In addition to our development work with collaborative partners, we are developing proprietary product candidates for our own account by applying our technologies to off-patent drugs as well as developing our own proprietary molecules. Because we will be funding the development of such programs, there is a risk that we may not be able to continue to fund all such programs to completion or to provide the support necessary to perform the clinical trials, obtain regulatory approvals or market any approved products on a worldwide basis. We expect the development of products for our own account to consume substantial resources. If we are able to develop commercial products on our own, the risks associated with these programs may be greater than those associated with our programs with collaborative partners.

If we are not able to develop new products, our business may suffer.

We compete with other biotechnology and pharmaceutical companies with financial resources and capabilities substantially greater than our resources and capabilities, in the development of new products. We cannot be certain we will be able to:

- develop or successfully commercialize new products on a timely basis or at all; or
- develop new products in a cost effective manner.

Further, other companies, including our collaborators, may develop products or may acquire technology for the development of products that are the same as or similar to our platform technologies or to the product candidates we have in development. Because there is rapid technological change in the industry and because other companies have more resources than we do, other companies may:

- develop their products more rapidly than we can;
- complete any applicable regulatory approval process sooner than we can; or
- offer their newly developed products at prices lower than our prices.

Any of the foregoing may negatively impact our sales of newly developed products. Technological developments or the FDA's approval of new therapeutic indications for existing products may make our existing products, or those product candidates we are developing, obsolete or may make them more difficult to market successfully, any of which could have a material adverse effect on our business, results of operations and financial condition.

Foreign currency exchange rates may affect revenue.

We conduct a large portion of our business in international markets. We derive a majority of our RISPERDAL CONSTA revenues from sales in foreign countries and these sales are denominated in foreign currencies. Such revenues fluctuate when translated to U.S. dollars as a result of changes in foreign currency exchange rates. We currently do not hedge this exposure. An increase in the U.S. dollar relative to other currencies in which we have revenues will cause our foreign revenues to be lower than with a stable exchange rate. A large increase in the value of the U.S. dollar relative to such foreign currencies could have a material adverse affect on our revenues, results of operations and financial condition.

We face competition in the biotechnology and pharmaceutical industries, and others.

We can provide no assurance that we will be able to compete successfully in developing our products and product candidates.

We face intense competition in the development, manufacture, marketing and commercialization of our products and product candidates from many and varied sources — from academic institutions, government agencies, research institutions and biotechnology and pharmaceutical companies, including other companies with similar technologies. Some of these competitors are also our collaborative partners. These competitors are working to develop and market other systems, products, vaccines and other methods of preventing or reducing disease, and new small-molecule and other classes of drugs that can be used with or without a drug delivery system.

There are other companies developing extended-release and pulmonary technologies. In many cases, there are products on the market or in development that may be in direct competition with our products or product candidates. In addition, we know of new chemical entities that are being developed that, if successful, could compete against our product candidates. These chemical entities are being designed to work differently than our product candidates and may turn out to be safer or to be more effective than our product candidates. Among the many experimental therapies being tested around the world, there may be some that we do not now know of that may compete with our technologies or product candidates. Our collaborative partners could choose a competing technology to use with their drugs instead of one of our technologies and could develop products that compete with our products.

With respect to our injectable technology, we are aware that there are other companies developing extended-release delivery systems for pharmaceutical products. RISPERDAL CONSTA may compete with a number of other injectable products being developed, including paliperidone palmitate, an injectable, four-week, long-acting product being developed by Johnson & Johnson, and a number of new oral compounds for the treatment of schizophrenia, such as sertindole, which is being developed by Lundbeck, and iloperidone, which is being developed by Vanda.

VIVITROL competes with CAMPRAL by Forest Laboratories, Inc. and ANTABUSE by Odyssey Pharmaceuticals, Inc. as well as currently marketed drugs also formulated from naltrexone, such as REVIA by Duramed Pharmaceuticals, Inc., NALOREX by Bristol-Myers Squibb Co. and DEPADE by Mallinckrodt. Other pharmaceutical companies are investigating product candidates that have shown some promise in treating alcohol dependence and that, if approved by the FDA, would compete with VIVITROL.

With respect to our AIR technology, we are aware that there are other companies marketing or developing pulmonary delivery systems for pharmaceutical products.

Many of our competitors have much greater capital resources, manufacturing, research and development resources and production facilities than we do. Many of them also have much more experience than we do in preclinical testing and clinical trials of new drugs and in obtaining FDA and foreign regulatory approvals.

Major technological changes can happen quickly in the biotechnology and pharmaceutical industries, and the development of technologically improved or different products or technologies may make our product candidates or platform technologies obsolete or noncompetitive.

Our product candidates, if successfully developed and approved for commercial sale, will compete with a number of drugs and therapies currently manufactured and marketed by major pharmaceutical and other biotechnology companies. Our product candidates may also compete with new products currently under development by others or with products which may cost less than our product candidates. Physicians, patients, third party payors and the medical community may not accept or utilize any of our product candidates that may be approved. If our product candidates, if and when approved, do not achieve significant market acceptance, our business, results of operations and financial condition may be materially adversely affected. For more information on other factors that would impact the market acceptance of our product candidates, if and when approved, see the risk factor "RISPERDAL CONSTA, VIVITROL and our product candidates may not generate significant revenues."

RISPERDAL CONSTA revenues may not be sufficient to repay RC Royalty Sub, LLC's obligations for the non-recourse RISPERDAL CONSTA secured 7% notes (the "7% Notes").

Pursuant to the terms of a purchase and sales agreement between Alkermes and our wholly-owned subsidiary, RC Royalty Sub, LLC ("Royalty Sub"), Royalty Sub is obligated to repay certain obligations to holders of the 7% Notes. There can be no assurance that Royalty Sub will have sufficient funds to satisfy these obligations. If revenues from RISPERDAL CONSTA are not sufficient to repay Royalty Sub's obligations on the 7% notes at maturity, then the note holders may have the right to take control of Royalty Sub and all of its assets. If Janssen terminates the manufacturing and supply agreement and the license agreements with us, whether or not due to a lack of revenues, and revenues on RISPERDAL CONSTA are not sufficient to repay Royalty Sub's obligations on the 7% Notes, the note holders may be entitled to certain of our rights to RISPERDAL CONSTA.

We may not be able to retain our key personnel.

Our success depends largely upon the continued service of our management and scientific staff and our ability to attract retain and motivate highly skilled technical, scientific, management, regulatory compliance and marketing personnel. The loss of key personnel or our inability to hire and retain personnel who have technical, scientific or regulatory compliance backgrounds could materially adversely affect our research and development efforts and our business.

Future transactions may harm our business or the market price of our stock.

We regularly review potential transactions related to technologies, products or product rights and businesses complementary to our business. These transactions could include:

- mergers;
- acquisitions;
- strategic alliances;
- licensing agreements; and
- co-promotion agreements.

We may choose to enter into one or more of these transactions at any time, which may cause substantial fluctuations in the market price of our stock. Moreover, depending upon the nature of any transaction, we may

experience a charge to earnings, which could also materially adversely affect our results of operations and could harm the market price of our stock.

If we issue additional common stock, shareholders will suffer dilution of their investment and the stock price may decline.

As discussed above under the risk factor "We may require additional funds to complete our programs and such funding may not be available on commercially favorable terms and may cause dilution to our existing shareholders," we may issue additional equity securities or securities convertible into equity securities to raise funds, thus reducing the ownership share of the current holders of our common stock, which may adversely affect the market price of the common stock. As of March 31, 2009, we were obligated to issue 18,987,529 shares of common stock upon the vesting and exercise of stock options and vesting of stock awards. In addition, any of our shareholders could sell all or a large number of their shares, which could adversely affect the market price of our common stock.

The current credit and financial market conditions may exacerbate certain risks affecting our business.

Sales of our products are dependent, in large part, on reimbursement from government health administration authorities, private health insurers, distribution partners and other organizations. As a result of the current credit and financial market conditions, these organizations may be unable to satisfy their reimbursement obligations or may delay payment. In addition, federal and state health authorities may reduce Medicare and Medicaid reimbursements, and private insurers may increase their scrutiny of claims. A reduction in the availability or extent of reimbursement could negatively affect our product sales and revenue. Customers may also reduce spending during times of economic uncertainty.

In addition, we rely on third parties for several important aspects of our business. For example, we depend upon collaborators for both manufacturing and royalty revenue and the clinical development of collaboration products, we use third party contract research organizations for many of our clinical trials, and we rely upon several single source providers of raw materials and contract manufacturers for the manufacture of our products and product candidates. Due to the recent tightening of global credit and the continued deterioration in the financial markets, there may be a disruption or delay in the performance of our third party contractors, suppliers or collaborators. If such third parties are unable to satisfy their commitments to us, our business would be adversely affected.

Our investment portfolio may become impaired by further deterioration of the capital markets.

As a result of current adverse financial market conditions, investments in some financial instruments, such as auction rate securities and asset backed debt securities, may pose risks arising from liquidity and credit concerns. We have limited holdings of these investments in our portfolio, however, the current disruptions in the credit and financial markets have negatively affected investments in many industries, including those in which we invest. The current global economic crisis has had, and may continue to have, a negative impact on the market values of the investments in our investment portfolio. We cannot predict future market conditions or market liquidity and there can be no assurance that the markets for these securities will not deteriorate further or that the institutions that these investments are with will be able to meet their debt obligations at the time we may need to liquidate such investments or until such time as the investments mature. Although we currently have no plans to access the equity or debt markets to meet capital or liquidity needs, constriction and volatility in these markets may restrict future flexibility to do so if unforeseen capital or liquidity needs were to arise.

Our common stock price is highly volatile.

The realization of any of the risks described in these risk factors or other unforeseen risks could have a dramatic and adverse effect on the market price of our common stock. Additionally, market prices for securities of biotechnology and pharmaceutical companies, including ours, have historically been very volatile. The market for these securities has from time to time experienced significant price and volume fluctuations for

reasons that were unrelated to the operating performance of any one company. In particular, and in addition to circumstances described elsewhere under these risk factors, the following risk factors can adversely affect the market price of our common stock:

- non-approval, set-backs or delays in the development or manufacture of our product candidates and success of our research and development programs;
- public concern as to the safety of drugs developed by us or others;
- announcements of issuances of common stock or acquisitions by us;
- the announcement and timing of new product introductions by us or others;
- material public announcements;
- events related to our products or those of our competitors, including the withdrawal or suspension of products from the market;
- availability and level of third party reimbursement;
- political developments or proposed legislation in the pharmaceutical or healthcare industry;
- economic or other external factors, disaster or crisis;
- developments of our corporate partners;
- termination or delay of development program(s) by our corporate partners;
- announcements of technological innovations or new therapeutic products or methods by us or others;
- changes in government regulations or policies or patent decisions;
- changes in patent legislation or adverse changes to patent law;
- changes in key members of management;
- failure to meet our financial expectations or changes in opinions of analysts who follow our stock; or
- general market conditions.

We may undertake additional strategic acquisitions in the future, and difficulties integrating such acquisitions could damage our ability to sustain profitability.

Although we have limited experience in acquiring businesses, we may acquire additional businesses that complement or augment our existing business. If we acquire businesses with promising drug candidates or technologies, we may not be able to realize the benefit of acquiring such businesses if we are unable to move one or more drug candidates through preclinical and/or clinical development to regulatory approval and commercialization. Integrating any newly acquired businesses or technologies could be expensive and time-consuming, resulting in the diversion of resources from our current business. We may not be able to integrate any acquired business successfully. We cannot assure you that, following an acquisition, we will achieve revenues, specific net income or loss levels that justify the acquisition or that the acquisition will result in increased earnings, or reduced losses, for the combined company in any future period. Moreover, we may need to raise additional funds through public or private debt or equity financing to acquire any businesses, which would result in dilution for shareholders or the incurrence of indebtedness. We may not be able to operate acquired businesses profitably or otherwise implement our growth strategy successfully.

Anti-takeover provisions may not benefit shareholders.

We are a Pennsylvania corporation and Pennsylvania law contains strong anti-takeover provisions. In February 2003, our board of directors adopted a shareholder rights plan. The shareholder rights plan is designed to cause substantial dilution to a person who attempts to acquire us on terms not approved by our board of directors. The shareholder rights plan and Pennsylvania law could make it more difficult for a person

or group to, or discourage a person or group from attempting to, acquire control of us, even if the change in control would be beneficial to shareholders. Our articles of incorporation and bylaws also contain certain provisions that could have a similar effect. The articles provide that our board of directors may issue, without shareholder approval, preferred stock having such voting rights, preferences and special rights as the board of directors may determine. The issuance of such preferred stock could make it more difficult for a third party to acquire us.

Our business could be negatively affected as a result of the actions of activist shareholders.

Proxy contests have been waged against many companies in the biopharmaceutical industry over the last few years. If faced with a proxy contest, we may not be able to respond successfully to the contest, which would be disruptive to our business. Even if we are successful, our business could be adversely affected by a proxy contest involving us or our collaborators because:

- responding to proxy contests and other actions by activist shareholders can be costly and time-consuming, disrupting operations and diverting the attention of management and employees;
- perceived uncertainties as to future direction may result in the loss of potential acquisitions, collaborations or in-licensing opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and
- if individuals are elected to a board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our stockholders.

These actions could cause our stock price to experience periods of volatility.

Litigation and/or arbitration may result in financial losses or harm our reputation and may divert management resources.

We may be the subject of certain claims, including those asserting violations of securities laws and derivative actions. In addition, the administration of drugs in humans, whether in clinical studies or commercially, carries the inherent risk of product liability claims whether or not the drugs are actually the cause of an injury.

We cannot predict with certainty the eventual outcome of any future litigation, arbitration or third party inquiry. We may not be successful in defending ourselves or asserting our rights in new lawsuits, investigations or claims that may be brought against us, and, as a result, our business could be materially harmed. These lawsuits, arbitrations, investigations or claims may result in large judgments or settlements against us, any of which could have a negative effect on our financial performance and business. Additionally, lawsuits, arbitrations and investigations can be expensive to defend, whether or not the lawsuit, arbitration or investigation has merit and the defense of these actions may divert the attention of our management and other resources that would otherwise be engaged in running our business.

We may incur financial and operational risk in connection with the move of our headquarters from Cambridge, Massachusetts to Waltham, Massachusetts.

In April 2009, we announced plans to move our corporate headquarters to Waltham, Massachusetts from Cambridge, Massachusetts. In connection with the move, we have signed a lease agreement and are building out a 100,000 square foot facility in Waltham. We anticipate that the move will be completed in early calendar year 2010 and expect the relocation to result in annual cash savings in fiscal year 2011 and beyond of approximately $8 million, however, expected savings from relocating a facility can be highly variable and uncertain. In addition, we subleased substantially all of our current headquarters for the balance of that lease term. This sublease transaction substantially offsets our ongoing expenses associated with our current headquarters, however, to the extent the build-out of the Waltham facility is delayed, the terms of the sublease may be adversely affected, which may result in increased costs and risks. In addition, relocation of our

corporate headquarters could adversely affect employee retention and focus, and it may be difficult to manage operations during the overlapping period that the Waltham and Cambridge facilities are both open.

The risk factors discussed within Item 1A and other similar matters could divert our management's attention from other business concerns. Such matters could also result in harm to our reputation and significant monetary liability for us, and require that we take other actions not presently contemplated, any or all of which could have a material adverse effect on our business, results of operations and financial condition.

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

None.

Item 2. ***Properties***

We lease space in Cambridge, Massachusetts under two leases, the original terms of which are effective through calendar year 2012. These leases contain provisions permitting us to extend their terms for up to two ten-year periods. Our corporate headquarters, administration areas and laboratories are located in this space. We have established and are operating clinical facilities, with the capability to produce clinical supplies of our pulmonary and injectable extended-release products, at this location. In April 2009, we announced that we will move our corporate headquarters from Cambridge, Massachusetts to Waltham, Massachusetts in early calendar 2010.

We own a 15-acre manufacturing, office and laboratory site in Wilmington, Ohio. The site produces RISPERDAL CONSTA and VIVITROL. We are currently operating two RISPERDAL CONSTA lines and one VIVITROL line at commercial scale. An additional line for RISPERDAL CONSTA which was funded by and is owned by Janssen was recently completed. Janssen has granted us an option, exercisable upon 30 days advance written notice, to purchase the additional RISPERDAL CONSTA manufacturing line at its then-current net book value. In December 2008, we purchased two partially completed VIVITROL manufacturing lines from Cephalon in connection with the termination of the VIVITROL collaboration.

We lease a commercial manufacturing facility in Chelsea, Massachusetts designed for clinical and commercial manufacturing of inhaled products based on our AIR pulmonary technology that we are not currently utilizing. The lease term is for fifteen years, expiring in 2015, with an option to extend the term for up to two five-year periods. We exited this facility in fiscal 2008 and have no plans to extend the lease beyond its expiration date.

We believe that our current and planned facilities are adequate for our current and near-term preclinical, clinical and commercial manufacturing requirements.

Item 3. ***Legal Proceedings***

From time to time, we may be subject to other legal proceedings and claims in the ordinary course of business. We are not aware of any such proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, results of operations and financial condition.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of our security holders, through the solicitation of proxies or otherwise, during the last quarter of the fiscal year ended March 31, 2009.

PART II

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

(a) Market Information

Our common stock is traded on the NASDAQ Stock Market under the symbol ALKS. We have 382,632 shares of our non-voting common stock issued and outstanding. There is no established public trading market for our non-voting common stock. Set forth below for the indicated periods are the high and low sales prices for our common stock:

	Fiscal 2009		Fiscal 2008	
	High	Low	High	Low
1st Quarter	$ 13.94	$ 10.81	$ 17.85	$ 14.38
2nd Quarter	17.05	11.79	18.51	14.00
3rd Quarter	13.54	5.55	18.78	12.30
4th Quarter	13.16	8.26	16.00	10.32

The last reported sale price of our common stock as reported on the NASDAQ Stock Market on May 20, 2009 was $8.81

(b) Stockholders

There were 340 shareholders of record for our common stock and one shareholder of record for our non-voting common stock on May 20, 2009.

(c) Dividends

No dividends have been paid on the common stock or non-voting common stock to date, and we do not expect to pay cash dividends thereon in the foreseeable future. We anticipate that we will retain all earnings, if any, to support our operations and our proprietary drug development programs. Any future determination as to the payment of dividends will be at the sole discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors our board of directors deems relevant.

(d) Securities authorized for issuance under equity compensation plans

See Part III, Item 12 for information regarding securities authorized for issuance under our equity compensation plans.

(e) Repurchase of equity securities

A summary of our stock repurchase activity for the fourth quarter of the fiscal year ended March 31, 2009 is as follows:

Period	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program(a)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (In millions)
January 1 through January 31	4,747	9.99	4,747	$ 103.7
February 1 through February 28	—	—	—	$ 103.7
March 1 through March 31	—	—	—	$ 103.7
Total	4,747	$ 9.99	4,747	

(a) In November 2007, our board of directors authorized a program to repurchase up to $175.0 million of our common stock to be repurchased at the discretion of management from time to time in the open market or

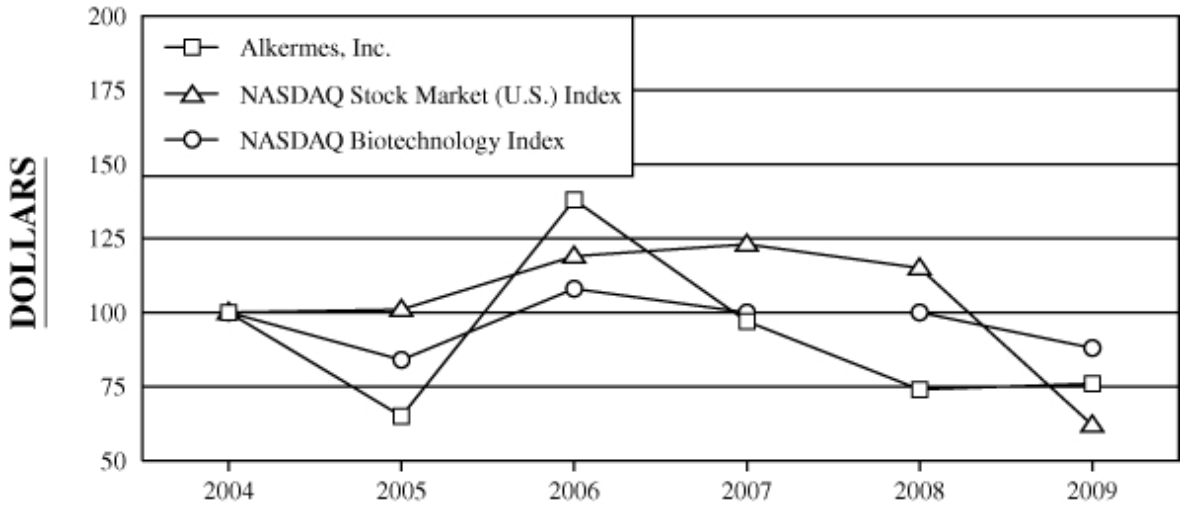
through privately negotiated transactions. The repurchase program has no set expiration date and may be suspended or discontinued at any time. We publicly announced the share repurchase program in our press release dated November 21, 2007. In June 2008, the board of directors authorized the expansion of this repurchase program by an additional $40.0 million, bringing the total authorization under this program to $215.0 million. We purchased 1,569,202 shares at a cost of approximately $18.0 million under this program during the year ended March 31, 2009 by means of open market purchases. As of March 31, 2009, we have purchased a total of 8,537,938 shares under this program at a cost of approximately $111.3 million.

In addition to the stock repurchases above, during the year ended March 31, 2009, we acquired, by means of net share settlements, 51,891 shares of Alkermes common stock, at an average price of $11.39 per share, related to the vesting of employee stock awards to satisfy withholding tax obligations. In addition, during the year ended March 31, 2009, we acquired 9,176 shares of Alkermes common stock, at an average price of $12.66 per share, tendered by employees as payment of the exercise price of stock options granted under our equity compensation plans.

Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return on our common stock for the last five fiscal years, with the cumulative total return on the Nasdaq Stock Market Index and the Nasdaq Biotechnology Index. The comparison assumes $100 was invested on March 31, 2004 in our common stock and in each of the foregoing indices and further assumes reinvestment of any dividends. We did not declare or pay any dividends on our common stock during the comparison period.

Comparison of Cumulative Total Returns



Comparison of Cumulative Total Returns

	2004	2005	2006	2007	2008	2009
Alkermes, Inc.	100	65	138	97	74	76
NASDAQ Stock Market Index	100	101	119	123	115	62
NASDAQ Biotechnology Index	100	84	108	100	100	88

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

The following financial data should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Form 10-K, beginning on page F-1.

Alkermes, Inc. and Subsidiaries

	Year Ended March 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
REVENUES:					
Manufacturing revenues	$ 116,844	$ 101,700	$ 105,416	$ 64,901	$ 40,488
Royalty revenues	33,247	29,457	23,151	16,532	9,636
Product sales, net	4,467	—	—	—	—
Research and development revenue under collaborative arrangements	42,087	89,510	74,483	45,883	26,002
Net collaborative profit(1)	130,194	20,050	36,915	39,285	—
Total revenues	326,839	240,717	239,965	166,601	76,126
EXPENSES:					
Cost of goods manufactured and sold(2)	43,396	40,677	45,209	23,489	16,834
Research and development(2)	89,478	125,268	117,315	89,068	91,641
Selling, general and administrative(2)	59,008	59,508	66,399	40,383	29,499
Impairment of long-lived assets	—	11,630	—	—	—
Restructuring(3)	—	6,423	—	—	11,527
Total expenses	191,882	243,506	228,923	152,940	149,501
OPERATING INCOME (LOSS)	134,957	(2,789)	11,042	13,661	(73,375)
OTHER (EXPENSE) INCOME:					
Gain on sale of investment in Reliant Pharmaceuticals, Inc.	—	174,631	—	—	—
Interest income	11,400	17,834	17,707	11,569	3,005
Interest expense	(13,756)	(16,370)	(17,725)	(20,661)	(7,394)
Derivative (loss) income related to convertible subordinated notes(4)	—	—	—	(1,084)	4,385
Other (expense) income, net(5)	(1,589)	(476)	(481)	333	(1,789)
Total other (expense) income	(3,945)	175,619	(499)	(9,843)	(1,793)
INCOME (LOSS) BEFORE INCOME TAXES	131,012	172,830	10,543	3,818	(75,168)
INCOME TAXES	507	5,851	1,098	—	—
NET INCOME (LOSS)	$ 130,505	$ 166,979	$ 9,445	$ 3,818	$ (75,168)
EARNINGS (LOSS) PER COMMON SHARE:					
BASIC	$ 1.37	$ 1.66	$ 0.10	$ 0.04	$ (0.83)
DILUTED	$ 1.36	$ 1.62	$ 0.09	$ 0.04	$ (0.83)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:					
BASIC	95,161	100,742	99,242	91,022	90,094
DILUTED	96,252	102,923	103,351	97,377	90,094

	Year Ended March 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share data)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and investments	$ 404,482	$ 460,361	$ 357,466	$ 303,112	$ 202,567
Total assets	566,486	656,311	568,621	477,163	338,874
Long-term debt(6)	75,888	160,371	156,898	279,518	276,485
Unearned milestone revenue — current and long-term	—	117,657	128,750	99,536	—
Redeemable convertible preferred stock	—	—	—	15,000	30,000
Shareholders' equity	434,888	305,314	203,461	33,216	4,112

(1) Includes $120.7 million recognized as revenue upon the termination of the VIVITROL collaboration with Cephalon during the year ended March 31, 2009.

(2) Includes share-based compensation expense as a result of the adoption of the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standard ("SFAS") No. 123(R), *"Share-Based Payment"* on April 1, 2006 (see Note 12 in the notes to the consolidated financial statements included in this Annual Report on Form 10-K).

(3) Represents charges in connection with our March 2008 and June 2004 restructurings of operations. The March 2008 and June 2004 restructuring programs were substantially completed during fiscal 2009 and fiscal 2005, respectively. Certain closure costs related to the leased facilities exited in connection with the March 2008 restructuring of operations will continue to be paid through December 2015.

(4) Represents noncash (loss) income in connection with derivative liabilities associated with the two-year interest make-whole payment provision of our 6.52% convertible senior subordinated notes and the three-year interest make-whole ("Three-Year Interest Make-Whole") payment provision of our 2.5% convertible subordinated notes ("2.5% Subordinated Notes"). The derivative liability is recorded at fair value in the consolidated balance sheets.

(5) Primarily represents (expense) income recognized on the changes in the fair value of warrants of public companies held by us in connection with collaboration and licensing arrangements, which are recorded as derivatives under "Other assets" in the consolidated balance sheets. The recorded value of such warrants can fluctuate significantly based on fluctuations in the market value of the underlying securities of the issuer of the warrants. Also includes charges for other-than-temporary impairments attributed to certain strategic investments in the common stock of our collaborative partners.

(6) Includes the 7% Notes which were issued by Royalty Sub and are non-recourse to Alkermes.

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

Forward-Looking Statements

Any statements herein or otherwise made in writing or orally by us with regard to our expectations as to financial results and other aspects of our business may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements concerning future operating results, the achievement of certain business and operating goals, manufacturing revenues, product sales and royalty revenues, plans for clinical trials, regulatory approvals and manufacture and commercialization of products and product candidates, spending relating to research and development, manufacturing, and selling and marketing activities, financial goals and projections of capital expenditures, recognition of revenues, and future financings. These statements relate to our future plans, objectives, expectations and intentions and may be identified by words like "believe," "expect," "designed," "may," "will," "should," "seek," or "anticipate," and similar expressions.

Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, the forward-looking statements contained in this document are neither promises nor guarantees, and our business is subject to significant risk and uncertainties and there can be no assurance that our actual results will not differ materially from our expectations. These forward looking statements include, but are not limited to, statements concerning: the achievement of certain business and operating milestones and future operating results and profitability; continued growth of RISPERDAL CONSTA sales; the commercialization of VIVITROL in the U.S. by us and in Russia and the CIS by Cilag; recognition of milestone payments from Cilag related to the future sales of VIVITROL; the successful continuation of development activities for our programs, including exenatide once weekly, a four-week formulation of RISPERDAL CONSTA, VIVITROL for opiate dependence, ALKS 27, ALKS 29, ALKS 33 and ALKS 36; the expectation and timeline for regulatory approval of the NDA submission for exenatide once weekly; the successful manufacture of our products and product candidates, including RISPERDAL CONSTA and VIVITROL, by us at a commercial scale, and the successful manufacture of exenatide once weekly by Amylin; and our building a successful commercial infrastructure for VIVITROL. Factors which could cause actual results to differ materially from our expectations set forth in our forward-looking statements include, among others: (i) manufacturing and royalty revenues from RISPERDAL CONSTA may not continue to grow, particularly because we rely on our partner, Janssen, to forecast and market this product; (ii) we may be unable to manufacture RISPERDAL CONSTA and VIVITROL in sufficient quantities and with sufficient yields to meet our partners' requirements or to add additional production capacity for RISPERDAL CONSTA and VIVITROL, or unexpected events could interrupt manufacturing operations at our RISPERDAL CONSTA and VIVITROL manufacturing facility, which is the sole source of supply for these products; (iii) we may be unable to develop the commercial capabilities, and/or infrastructure, necessary to successfully commercialize VIVITROL; (iv) Cilag may be unable to receive approval for VIVITROL for the treatment of opioid dependence in Russia and for the treatment of alcohol and opioid dependence in the other countries in the CIS; (v) Cilag may be unable to successfully commercialize VIVITROL; (vi) third party payors may not cover or reimburse our products; (vii) if approved, Lilly and Amylin may be unable to successfully commercialize exenatide once weekly; (viii) we may be unable to scale-up and manufacture our product candidates commercially or economically; (ix) we may not be able to source raw materials for our production processes from third parties; (x) Amylin may not be able to successfully operate the manufacturing facility for exenatide once weekly and the FDA may not find the product produced in the Amylin facility comparable to the product used in the pivotal clinical study which was produced in our facility; (xi) our product candidates, if approved for marketing, may not be launched successfully in one or all indications for which marketing is approved and, if launched, may not produce significant revenues; (xii) we rely on our partners to determine the regulatory and marketing strategies for RISPERDAL CONSTA, including the four-week formulation of RISPERDAL CONSTA currently being developed by us, and our other partnered, non-proprietary programs; (xiii) RISPERDAL CONSTA, VIVITROL and our product candidates in commercial use may have unintended side effects, adverse reactions or incidents of misuse and the FDA or other health authorities could require post approval studies or require removal of our products from the market; (xiv) our collaborators could elect to terminate or delay programs at any time and disputes with collaborators or failure to negotiate acceptable new

collaborative arrangements for our technologies could occur; (xv) clinical trials may take more time or consume more resources than initially envisioned; (xvi) results of earlier clinical trials may not necessarily be predictive of the safety and efficacy results in larger clinical trials; (xvii) our product candidates could be ineffective or unsafe during preclinical studies and clinical trials, and we and our collaborators may not be permitted by regulatory authorities to undertake new or additional clinical trials for product candidates incorporating our technologies, or clinical trials could be delayed or terminated; (xviii) after the completion of clinical trials for our product candidates, including exenatide once weekly, or after the submission for marketing approval of such product candidates, the FDA or other health authorities could refuse to accept such filings, could request additional preclinical or clinical studies be conducted or request a safety monitoring program, any of which could result in significant delays or the failure of such products to receive marketing approval; (xix) even if our product candidates appear promising at an early stage of development, product candidates could fail to receive necessary regulatory approvals, be difficult to manufacture on a large scale, be uneconomical, fail to achieve market acceptance, be precluded from commercialization by proprietary rights of third parties or experience substantial competition in the marketplace; (xx) technological change in the biotechnology or pharmaceutical industries could render our products and/or product candidates obsolete or non-competitive; (xxi) difficulties or set-backs in obtaining and enforcing our patents and difficulties with the patent rights of others could occur; (xxii) we may incur losses in the future; (xxiii) we may need to raise substantial additional funding to continue research and development programs and clinical trials and other operations and could incur difficulties or setbacks in raising such funds, which may be further impacted by current economic conditions and the lack of available credit sources; (xxiv) we may not be able to liquidate or otherwise recoup our investments in corporate debt securities, asset backed debt securities and auction rate securities.

The forward-looking statements made in this document are made only as of the date hereof and we do not intend to update any of these factors or to publicly announce the results of any revisions to any of our forward-looking statements other than as required under the federal securities laws.

Executive Summary

Net income for the year ended March 31, 2009 was $130.5 million, or $1.37 per common share — basic and $1.36 per common share — diluted, as compared to net income of $167.0 million, or $1.66 per common share — basic and $1.62 per common share — diluted, for the year ended March 31, 2008 and $9.4 million, or $0.10 per common share — basic and $0.09 per common share — diluted, for the year ended March 31, 2007.

Net income for the year ended March 31, 2009 reflects continued growth in unit sales of RISPERDAL CONSTA and the recognition of $120.7 million of previously deferred and unearned milestone revenue related to the termination of the VIVITROL collaboration with Cephalon. As of the Termination Date, we assumed the risks and responsibilities for the marketing and sale of VIVITROL in the U.S. and we were responsible for all VIVITROL profits or losses, except for $11.0 million Cephalon paid us to fund its share of estimated VIVITROL product losses during the one-year period following the Termination Date.

During the year ended March 31, 2009, we purchased $93.0 million in principal amount of our 7% Notes for $89.4 million and repurchased 1,569,202 shares of our common stock for $18.0 million.

Results of Operations

Manufacturing Revenues

	Years Ended March 31,			Change Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
			(In millions)		
Manufacturing revenues:					
Risperdal Consta	$ 112.4	$ 95.2	$ 88.6	$ 17.2	$ 6.6
Vivitrol	4.4	6.5	16.8	(2.1)	(10.3)
Manufacturing revenues	$ 116.8	$ 101.7	$ 105.4	$ 15.1	$ (3.7)

The increase in RISPERDAL CONSTA manufacturing revenues for the year ended March 31, 2009, as compared to the year ended March 31, 2008, was due to a 19% increase in the number of units shipped to Janssen due to increased customer demand. The number of RISPERDAL CONSTA units shipped for sale in foreign countries comprised 76%, 80% and 73% of the total units shipped during the years ended March 31, 2009, 2008 and 2007, respectively. See Part II, Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" for information on foreign currency exchange rate risk related to RISPERDAL CONSTA revenues.

The increase in RISPERDAL CONSTA manufacturing revenues for the year ended March 31, 2008, as compared to the year ended March 31, 2007, was due to an 11% increase in the per unit net sales price, partially offset by a 3% decrease in the number of units shipped to Janssen. The increase in the per unit net sales price was primarily due to the weakening of the U.S. dollar in relation to the foreign countries in which the product was sold and the decrease in the number of units shipped was due to Janssen managing its product inventory due in part to increased efficiencies and reliability in our RISPERDAL CONSTA manufacturing process.

Under our manufacturing and supply agreement with Janssen, we earn manufacturing revenues when product is shipped to Janssen, based on a percentage of Janssen's estimated unit net sales price. Revenues include a quarterly adjustment from Janssen's estimated unit net sales price to Janssen's actual unit net sales price for product shipped. In the years ended March 31, 2009, 2008 and 2007, our RISPERDAL CONSTA manufacturing revenues were based on an average of 7.5% of Janssen's unit net sales price of RISPERDAL CONSTA. We anticipate that we will earn manufacturing revenues at 7.5% of Janssen's unit net sales price of RISPERDAL CONSTA for product shipped in the fiscal year ending March 31, 2010 and beyond.

VIVITROL manufacturing revenues consist of the following:

	Years Ended March 31,		
	2009	2008	2007
		(In millions)	
VIVITROL manufacturing revenues:			
VIVITROL sold to Cephalon(1)	$ 3.8	$ 6.5	$ 16.8
VIVITROL sold to Cilag for resale in Russia	0.6	—	—
VIVITROL manufacturing revenues	$ 4.4	$ 6.5	$ 16.8

(1) Prior to the termination of the VIVITROL collaboration with Cephalon, Cephalon was responsible for the marketing and sale of VIVITROL in the U.S. and we were responsible for the manufacturing, for which we billed Cephalon at cost upon shipment of product. VIVITROL manufacturing revenues includes a 10% markup on cost of goods manufactured which is described in greater detail below.

VIVITROL manufacturing revenues on product sold to Cephalon for the years ended March 31, 2009, 2008 and 2007 included $0.3 million, $0.6 million and $1.5 million, respectively, of milestone revenue related to manufacturing profit earned on VIVITROL, which equaled a 10% markup on VIVITROL cost of goods manufactured and drew down from unearned milestone revenue. VIVITROL manufacturing revenues on product sold to Cephalon for the years ended March 31, 2008 and 2007 included $2.2 million and $3.7 million, respectively, of billings for idle capacity costs. VIVITROL was approved for sale in Russia for the treatment of alcohol dependence in August 2008 and was launched by Cilag in March 2009.

As a result of the termination of the collaboration with Cephalon, we assumed title to certain VIVITROL inventory which we had previously sold to Cephalon, and in December 2008 we reduced VIVITROL manufacturing revenues earned on product sold to Cephalon by $0.7 million and manufacturing profit by $0.1 million to reverse the previous sale of this product inventory to Cephalon.

The decrease in VIVITROL manufacturing revenues for the year ended March 31, 2008, as compared to March 31, 2007, was due to the management of manufacturing volumes to avoid excess inventory. During the year ended March 31, 2007, we shipped large quantities of VIVITROL to Cephalon to build sufficient inventory to support the commercial launch of VIVITROL.

Royalty Revenues

	Years Ended March 31,			Change Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
	(In millions)				
Royalty revenues	$ 33.2	$ 29.5	$ 23.2	$ 3.7	$ 6.3

Substantially all of our royalty revenues for the years ended March 31, 2009, 2008 and 2007 were related to sales of RISPERDAL CONSTA. Under our license agreements with Janssen, we record royalty revenues equal to 2.5% of Janssen's net sales of RISPERDAL CONSTA in the period that the product is sold by Janssen. Royalty revenues for the years ended March 31, 2009, 2008 and 2007 were based on RISPERDAL CONSTA sales of $1,324.9 million, $1,176.5 million and $924.2 million, respectively. Units sold in foreign countries by Janssen in the year ended March 31, 2009, 2008 and 2007 accounted for 77%, 77% and 76% of the total units sold, respectively. The increase in royalty revenues in the year ended March 31, 2009, as compared to the year ended March 31, 2008, was due to a 16% increase in the number of units sold by Janssen, partially offset by a 4% decrease in the selling price of the product in foreign countries primarily due to an overall strengthening of the U.S. dollar in relation to the foreign currencies of the countries in which the product was sold. The increase in royalty revenues in the year ended March 31, 2008, as compared to the year ended March 31, 2007, was due to a 15% increase in the number of units sold by Janssen and a 12% increase in the average selling price of the product primarily due to an overall weakening of the U.S. dollar in relation to the foreign currencies of the countries in which the product was sold. See Part II, Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" for information on foreign currency exchange rate risk related to RISPERDAL CONSTA revenues.

Product Sales, net

Upon termination of the VIVITROL collaboration with Cephalon, we assumed the risks and responsibilities for the marketing and sale of VIVITROL in the U.S., effective on the Termination Date. The following table presents the adjustments deducted from gross VIVITROL product sales to arrive at VIVITROL product sales, net, during the period from December 1, 2008 through March 31, 2009:

	Year Ended March 31,	
	2009	% of Sales
	(In millions)	
Product sales, gross	$ 6.3	100.0%
Adjustments to product sales, gross:		
Product returns(1)	(1.3)	(20.6)%
Medicaid rebates	(0.2)	(3.2)%
Prompt-pay discounts	(0.1)	(1.6)%
Other	(0.2)	(3.2)%
Total adjustments	(1.8)	(28.6)%
Product sales, net	$ 4.5	71.4%

(1) Following the introduction of a return policy for VIVITROL, our estimate for product returns reflects the deferral of the recognition of revenue on shipments of VIVITROL to our customers until the product has left the distribution channel as we do not yet have the sales history to reasonably estimate returns related to these shipments. We estimate product shipments out of the distribution channel through data provided by external sources, including information on inventory levels provided by our customers as well as prescription information.

During the year ended March 31, 2009, gross sales of VIVITROL consisted of $12.6 million of sales by Cephalon prior to the termination of the VIVITROL collaboration and $6.3 million of sales made by us after the Termination Date. Gross sales of VIVITROL by Cephalon during the years ended March 31, 2008 and 2007 were $18.0 million and $6.5 million, respectively.

Research and Development Revenue Under Collaborative Arrangements

	Years Ended March 31,			Change Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
	(In millions)				
Research and development programs:					
AIR Insulin	$ 26.8	$ 49.5	$ 40.1	$ (22.7)	$ 9.4
Exenatide once weekly	9.5	32.9	19.3	(23.4)	13.6
Four-week RISPERDAL CONSTA	4.6	—	—	4.6	—
AIR PTH	—	5.1	6.5	(5.1)	(1.4)
VIVITROL	—	1.2	4.6	(1.2)	(3.4)
Other	1.2	0.8	4.0	0.4	(3.2)
Research and development revenue under collaborative arrangements	$ 42.1	$ 89.5	$ 74.5	$ (47.4)	$ 15.0

The decrease in revenue from the AIR Insulin program in the year ended March 31, 2009, as compared to the year ended March 31, 2008, was due to the termination of the AIR Insulin development program in March 2008. Under the AIR Insulin Termination Agreement, we recognized $25.5 million of R&D revenue in the three months ended June 30, 2008. We do not expect to record any material amounts of revenue from the AIR Insulin development program in the future. The decrease in the revenues earned under the exenatide once weekly development program in the year ended March 31, 2009, as compared to the year ended March 31, 2008, was due to reduced activity as the program neared the submission of the NDA to the FDA, which occurred in May 2009. In January 2009, we announced that J&JPRD initiated a phase 1, single-dose, open-label study of a four-week formulation of RISPERDAL CONSTA for the treatment of schizophrenia. RISPERDAL CONSTA is currently marketed as a two-week formulation.

The increase in the revenues earned under the AIR Insulin and exenatide once weekly development programs in the year ended March 31, 2008, as compared to the year ended March 31, 2007, were due to increased activity as the programs progressed through their clinical trials. Included in the exenatide once weekly development program revenue for the year ended March 31, 2008 was a $5.0 million payment we received from Amylin in December 2007 related to the achievement of a phase 3 milestone. Upon achievement of the phase 3 milestone, we recalculated the amounts due under the proportional performance model, and based on the proportional performance to date adjusted revenues to the lesser of the amount due under the contract or the amount based on the proportional performance to date. Based on the amount of effort that had been expended when the phase 3 milestone was achieved and the payments we expect to receive under the program, we were able to recognize the full amount as revenue in the period received.

The AIR parathyroid hormone (“PTH”) program was terminated in August 2007. We do not expect to record any material amounts of revenue from the AIR PTH development program in the future. During the years ended March 31, 2008 and 2007, we recorded VIVITROL research and development revenue related to the work we performed on the construction and validation of two additional VIVITROL manufacturing lines at our Ohio manufacturing facilities, which were constructed under the VIVITROL collaboration with Cephalon. We stopped construction on the lines during the year ended March 31, 2008.

Net Collaborative Profit

	Years Ended March 31,			Change Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
			(In millions)		
Net collaborative profit:					
Milestone revenue — cost recovery	$ —	$ 5.3	$ 78.8	$ (5.3)	$ (73.5)
Milestone revenue — license	3.5	5.2	5.1	(1.7)	0.1
Recognition of deferred and unearned milestone revenue due to termination of VIVITROL collaboration	120.7	—	—	120.7	—
Total milestone revenue	124.2	10.5	83.9	113.7	(73.4)
Net payments from (to) Cephalon	—	9.6	(47.0)	(9.6)	56.6
VIVITROL losses funded by Cephalon, post termination	6.0	—	—	6.0	—
Net collaborative profit	$ 130.2	$ 20.1	$ 36.9	$ 110.1	$ (16.8)

Prior to the termination of the VIVITROL collaboration, Cephalon had paid us an aggregate of $274.6 million in nonrefundable milestone payments and we were responsible to fund the first $124.6 million of cumulative net losses incurred on VIVITROL (the “cumulative net loss cap”). VIVITROL reached the cumulative net loss cap in April 2007, at which time Cephalon became responsible to fund all net losses incurred on VIVITROL through December 31, 2007. Beginning January 1, 2008, all net losses incurred on VIVITROL within the collaboration were divided between us and Cephalon in approximately equal shares. For the year ended March 31, 2009, we recognized no milestone revenue — cost recovery, as VIVITROL had reached the cumulative loss cap prior to this reporting period. Milestone revenue — license, related to the license provided to Cephalon to commercialize VIVITROL, was being recognized on a straight-line basis over a 10 year amortization schedule.

Upon the termination of the VIVITROL collaboration with Cephalon, we recognized $120.7 million of net collaborative profit which consisted of $113.9 million of unearned milestone revenue that existed at the Termination Date and $6.8 million of deferred revenue. At the Termination Date, we had $22.8 million of deferred revenue related to the original sale of the two partially completed VIVITROL manufacturing lines to Cephalon. We paid Cephalon $16.0 million to acquire the title to these manufacturing lines and accounted for the payment as a reduction to deferred revenue. The remaining $6.8 million of deferred revenue and the $113.9 million of unearned milestone revenue were recognized as revenue in the three months ended December 31, 2008, as we had no remaining performance obligations to Cephalon and the amounts were nonrefundable. Net payments from (to) Cephalon were received based upon the sharing of VIVITROL costs and losses incurred during the reporting periods.

Upon termination of the VIVITROL collaboration, we received $11.0 million from Cephalon to fund their share of estimated VIVITROL losses during the one-year period following the Termination Date. We recorded the $11.0 million as deferred revenue and are recognizing it as revenue though the application of a proportional performance model based on net VIVITROL losses. We do not expect to recognize any further net collaborative profit after the $11.0 million payment has been fully recognized as revenue, which we expect to occur in fiscal year 2010.

Cost of Goods Manufactured and Sold

	Years Ended March 31,			Change Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
	(In millions)				
Cost of goods manufactured and sold:					
Risperdal Consta	$ 31.3	$ 34.8	$ 29.9	$ 3.5	$ (4.9)
Vivitrol	11.8	5.9	15.3	(5.9)	9.4
Other	0.3	—	—	(0.3)	—
Cost of goods manufactured and sold	$ 43.4	$ 40.7	$ 45.2	$ (2.7)	$ 4.5

The decrease in cost of goods manufactured for RISPERDAL CONSTA in the year ended March 31, 2009, as compared to the year ended March 31, 2008, was due to a 24% decrease in the unit cost of RISPERDAL CONSTA, primarily due to increased operating efficiencies, partially offset by a 19% increase in the number of units of RISPERDAL CONSTA shipped to Janssen to meet customer demand. The increase in cost of goods manufactured for RISPERDAL CONSTA in the year ended March 31, 2008, as compared to the year ended March 31, 2007, was due to a 19% increase in unit cost of RISPERDAL CONSTA, partially offset by a 3% decrease in the number of units of RISPERDAL CONSTA shipped to Janssen. Shipments of RISPERDAL CONSTA were slightly lower in the year ended March 31, 2008, as compared to the year ended March 31, 2007, as Janssen managed its levels of product inventory, due in part to increased efficiencies and reliability in our RISPERDAL CONSTA manufacturing processes.

Cost of goods manufactured and sold for VIVITROL in the year ended March 31, 2009 consisted of $8.4 million of cost of goods manufactured for Cephalon incurred prior to the Termination Date, less $0.7 million of product previously sold to Cephalon that was reversed in connection with the termination of the VIVITROL collaboration. In addition, we had cost of goods sold of $3.6 million relating to product sold by us in the U.S. after the Termination Date and $0.5 million of cost of goods manufactured for Cilag for resale in Russia. VIVITROL cost of goods manufactured for the year ended March 31, 2008 consisted of $3.2 million of product shipments to Cephalon and $2.7 million of idle capacity costs, which consisted of current year manufacturing costs allocated to cost of goods manufactured which were related to underutilized VIVITROL manufacturing capacity. VIVITROL cost of goods manufactured for the year ended March 31, 2007 consisted of $11.6 million of product shipments to Cephalon and $3.7 million of idle capacity costs. We began shipping VIVITROL to Cephalon for the first time during the quarter ended June 30, 2006, and during the remainder of the fiscal year ended March 31, 2007 we shipped quantities sufficient to build inventory to support the commercial launch of the product.

Research and Development Expense

	Years Ended March 31,			Change Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
	(In millions)				
Research and development	$ 89.5	$ 125.3	$ 117.3	$ 35.8	$ (8.0)

The decrease in research and development expenses for the year ended March 31, 2009, as compared to the year ended March 31, 2008, was primarily due to the termination of the AIR Insulin development program in March 2008, the termination of the AIR PTH development program in August 2007 and reductions in costs incurred on the exenatide once weekly development program as the program neared the submission of the NDA to the FDA, which occurred in May 2009. In connection with the termination of the AIR Insulin development program, we closed our AIR commercial manufacturing facility located in Chelsea, Massachusetts and reduced our workforce by approximately 150 employees (the “2008 Restructuring”). In addition to the labor, non-cash compensation, occupancy and depreciation expense savings realized from the 2008 Restructuring, there were reductions in laboratory expenses including clinical raw materials, professional service and third-party packaging fees related to the AIR Insulin and AIR PTH programs. These expense

reductions were partially offset by increased clinical study costs related to the ALKS 33 and four-week RISPERDAL CONSTA development programs, which began phase 1 clinical trials in December 2008 and January 2009, respectively, and the ALKS 36 program, which we expect to initiate a phase 1 clinical trial in the second half of calendar 2009 and the VIVITROL opioid dependence development program, in which a multi-center registration study was initiated in June 2008.

The increase in research and development expenses for the year ended March 31, 2008, as compared to the year ended March 31, 2007, was primarily due to increased costs on the exenatide once weekly and AIR Insulin development programs, partially offset by decreased external costs related to the completion of legacy clinical trials for VIVITROL and decreased share-based compensation expense.

A significant portion of our research and development expenses (including laboratory supplies, travel, dues and subscriptions, recruiting costs, temporary help costs, consulting costs and allocable costs such as occupancy and depreciation) are not tracked by project as they benefit multiple projects or our technologies in general. Expenses incurred to purchase specific services from third parties to support our collaborative research and development activities are tracked by project and are reimbursed to us by our partners. We generally bill our partners under collaborative arrangements using a negotiated FTE or hourly rate. This rate has been established by us based on our annual budget of employee compensation, employee benefits and the billable non-project-specific costs mentioned above and is generally increased annually based on increases in the consumer price index. Each collaborative partner is billed using a negotiated FTE or hourly rate for the hours worked by our employees on a particular project, plus direct external costs, if any. We account for our research and development expenses on a departmental and functional basis in accordance with our budget and management practices.

Selling, General and Administrative Expense

	Years Ended March 31,			Change Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
	(In millions)				
Selling, general and administrative	$ 59.0	$ 59.5	$ 66.4	$ 0.5	$ 6.9

The decrease in selling, general and administrative costs for the year ended March 31, 2009, as compared to the year ended March 31, 2008, was primarily due to a decrease in share-based compensation expense, professional fees, taxes and depreciation, partially offset by the increased sales and marketing costs related to VIVITROL as we became responsible for the marketing and sale of VIVITROL on December 1, 2008. On the Termination Date, we became responsible for the commercialization of VIVITROL in the U.S. and hired approximately 50 individuals that comprise the VIVITROL sales force. The decrease in selling, general and administrative expenses for the year ended March 31, 2008, as compared to the year ended March 31, 2007, was primarily due to decreased share-based compensation expense.

Impairment and Restructuring Expenses

	Years Ended March 31,			Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
	(In millions)				
Impairment of long-lived assets	$ —	$ 11.6	$ —	$ 11.6	$ (11.6)
Restructuring	—	6.4	—	6.4	(6.4)
Total impairment and restructuring expenses	$ —	$ 18.0	$ —	$ 18.0	$ (18.0)

In March 2008, our collaborative partner Lilly announced the decision to terminate the AIR Insulin development program. In connection with the program termination, in March 2008 our board of directors approved the 2008 Restructuring and as a result we recorded a restructuring charge of $6.9 million, consisting primarily of lease and severance related costs. As of March 31, 2009, the only costs remaining from the 2008 Restructuring relate to lease costs on the exited facility, which will be paid out through fiscal 2016.

In connection with the termination of the AIR Insulin development program, we performed an impairment analysis on the assets that supported the production of AIR Insulin, which consisted of machinery and equipment and leasehold improvements at the AIR commercial manufacturing facility. We determined that the carrying value of the assets exceeded their fair value and recorded an impairment charge of $11.6 million during the three months ended March 31, 2008. Fair value was based on internally and externally established estimates and the selling prices of similar assets.

Other (Expense) Income

	Years Ended March 31,			Change Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
	(In millions)				
Gain on sale of investment in Reliant Pharmaceuticals, Inc.	$ —	$ 174.6	$ —	$ (174.6)	$ 174.6
Interest income	11.4	17.8	17.7	(6.4)	0.1
Interest expense	(13.7)	(16.4)	(17.7)	2.7	1.3
Other expense, net	(1.6)	(0.4)	(0.5)	(1.2)	0.1
Total other (expense) income	$ (3.9)	$ 175.6	$ (0.5)	$ (179.5)	$ 176.1

We recorded a gain on sale of investment in Reliant Pharmaceuticals, Inc. (“Reliant”) of $174.6 million in the year ended March 31, 2008. In November 2007, Reliant was acquired by GlaxoSmithKline (“GSK”) and under the terms of the acquisition we received $166.9 million upon the closing of the transaction in exchange for our investment in Series C convertible, redeemable preferred stock of Reliant. In March 2009, we received an additional $7.7 million of funds, which had been held in escrow subject to the terms of an agreement between GSK and Reliant. We purchased the Series C convertible, redeemable preferred stock of Reliant for $100.0 million in December 2001, and our investment in Reliant had been written down to zero, prior to the time of the sale.

The decrease in interest income for the year ended March 31, 2009, as compared to the year ended March 31, 2008, was due to lower interest rates earned during the year ended March 31, 2009 as compared to March 31, 2008, partially offset by a higher average balance of cash and investments. Interest income for the year ended March 31, 2008 was comparable to the year ended March 31, 2007. We expect our interest earnings to decrease as compared to prior periods due to a general reduction in interest rates on our cash and investments.

The decrease in interest expense for the year ended March 31, 2009, as compared to the year ended March 31, 2008, was the result of our repurchase of an aggregate total of $93.0 million principal amount of the 7% Notes in five separately negotiated transactions during the year ended March 31, 2009. Included in interest expense for the year ended March 31, 2009 is a loss on the extinguishment of the 7% Notes of $2.5 million, consisting of $0.9 million of transaction fees and a $1.6 million difference between the carrying value and the purchase price of the 7% Notes. As a result of the purchases, we save approximately $16.5 million in interest expense, which includes $12.9 million in cash payments for interest and $3.6 million of original discount accretion over the remaining life of the 7% Notes. The 7% Notes, which have a remaining principal amount of $77.0 million are scheduled to be paid in full on January 1, 2012. The decrease in interest expense for the year ended March 31, 2008, as compared to the year ended March 31, 2007, was primarily due to the conversion of our 2.5% Subordinated Notes in June 2006. Interest expense for the year ended March 31, 2007 includes a one-time interest charge of $0.6 million for a payment we made in June 2006 in connection with the conversion of our 2.5% Subordinated Notes to satisfy the Three-Year Interest Make-Whole Provision in the note indenture.

In the years ended March 31, 2009, 2008 and 2007, we recorded other-than-temporary impairments on common stock holdings of our collaborators of $1.2 million, $1.6 million and none, respectively, in other expense, net. In the year ended March 31, 2008, the impairment charge was offset by income earned on the change in the fair value of our investments in warrants of our collaborators.

Provision for Income Taxes

	Years Ended March 31,			Change Favorable/(Unfavorable)	
	2009	2008	2007	2009-2008	2008-2007
	(In millions)				
Provision for income taxes	$ 0.5	$ 5.9	$ 1.1	$ 5.4	$ (4.8)

The provision for income taxes for the years ended March 31, 2009, 2008 and 2007 related to the U.S. alternative minimum tax ("AMT"). Utilization of tax loss carryforwards is limited in the calculation of AMT. As a result, a federal tax charge was recorded in the years ended March 31, 2009, 2008 and 2007. The current AMT liability is available as a credit against future tax obligations upon the full utilization or expiration of our net operating loss carryforward. Included in the provision for income taxes for the year ended March 31, 2009 is a $0.3 million estimated benefit as a result of the recently enacted *Housing and Economic Recovery Act of 2008*, which allows for certain taxpayers to forego bonus depreciation in lieu of a refundable cash credit based on certain qualified asset purchases and $0.3 million estimated benefit as a result of the *American Recovery and Reinvestment Act of 2009*. The *American Recovery and Reinvestment Act of 2009* allows certain taxpayers to refund a portion of the Company's historic research or minimum tax credit carryovers in lieu of claiming the bonus depreciation deduction under section 168(k) for eligible qualified property placed in service after March 31, 2008.

At March 31, 2009, we had approximately $222.4 million of federal net operating loss ("NOL") carryforwards, $130.6 million of state operating loss carryforwards, and $19.8 million of foreign NOL and foreign capital loss carryforwards, which expire on various dates through the year 2026 or can be carried forward indefinitely. These loss carryforwards are available to reduce future federal and foreign taxable income, if any, and are subject to review and possible adjustment by the applicable taxing authorities. The available loss carryforwards that may be utilized in any future period may be subject to limitation based upon historical changes in the ownership of our stock. We have a full valuation allowance of $111.8 million, which was recorded based upon the uncertainty surrounding future utilization of our deferred tax assets.

Liquidity and Capital Resources

We have funded our operations primarily with funds generated by our business operations and through public offerings and private placements of debt and equity securities, bank loans, term loans, equipment financing arrangements and payments received under research and development agreements and other agreements with collaborators. We expect to incur significant additional research and development and other costs as we expand the development of our proprietary product candidates, including costs related to preclinical studies and clinical trials. Our costs, including research and development costs for our product candidates, manufacturing, and sales, marketing and promotional expenses for any current or future products marketed by us or our collaborators, if any, may exceed revenues in the future, which may result in losses from operations. We believe that our current cash and cash equivalents and short and long-term investments, combined with anticipated interest income and anticipated revenues will generate sufficient cash flows to meet our anticipated liquidity and capital requirements for the foreseeable future.

Our financial condition is summarized as follows:

	March 31, 2009	March 31, 2008
	(In millions)	
Cash and cash equivalents	$ 86.9	$ 101.2
Investments — short-term	236.8	240.1
Investments — long-term	80.8	119.1
Total cash, cash equivalents and investments	$ 404.5	$ 460.4
Working capital	$ 307.1	$ 371.1
Outstanding borrowings — current and long-term	$ 75.9	$ 160.4

Cash and Cash Equivalents

Our cash flows for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Years Ended March 31,		
	2009	2008	2007
		(In millions)	
Cash and cash equivalents, beginning of period	$ 101.2	$ 80.5	$ 33.6
Cash provided by operating activities	34.6	42.4	83.5
Cash provided by (used in) investing activities	45.4	61.9	(30.0)
Cash used in financing activities	(94.3)	(83.6)	(6.6)
Cash and cash equivalents, end of period	$ 86.9	$ 101.2	$ 80.5

Operating Activities

Cash provided by operating activities in the year ended March 31, 2009 decreased as compared to the year ended March 31, 2008, primarily due to the purchase of our 7% Notes during the year ended March 31, 2009. During the year ended March 31, 2009, we purchased $93.0 million principal amount of our 7% Notes for $89.4 million. As the 7% Notes were originally issued at a discount, upon purchase of principal we allocated $6.0 million of the payment amount to the original issue discount, which is considered an operating activity. The remaining $83.4 million spent to purchase the 7% Notes was allocated to the original principal and is reflected as a financing activity. Cash provided by operating activities in the year ended March 31, 2009 included $25.5 million we recognized as revenue in the first quarter of fiscal 2009 related to the AIR Insulin Termination Agreement. Cash provided by operating activities in the year ended March 31, 2008 consists primarily of the net income earned during the year, net of adjustments for non-cash charges, which includes share-based compensation, depreciation, impairment charges related to the 2008 Restructuring and the gain on the sale of the investment in Reliant. The decrease in cash provided by operating activities in the year ended March 31, 2008, as compared to the year ended March 31, 2007, was primarily due to a decrease in cash flows from unearned milestone revenue. In the year ended March 31, 2007, we received nonrefundable payment of $110.0 million from Cephalon upon FDA approval of VIVITROL and $4.6 million from Cephalon under our Amendments. In the year ended March 31, 2008, we did not receive any such payments under our Agreements and Amendments with Cephalon.

Investing Activities

The decrease in cash provided by investing activities during the year ended March 31, 2009, as compared to the year ended March 31, 2008, was primarily due to the $166.9 million we received in exchange for our investment in Series C convertible, redeemable preferred stock of Reliant during the year ended March 31, 2008. The Series C convertible, redeemable preferred stock had an original cost of $100.0 million but had been written down to zero prior to the time of the sale. During the year ended March 31, 2009, we collected an additional $7.7 million related to the Reliant transaction, which was released from escrow due to the terms of an agreement between GSK and Reliant. During the year ended March 31, 2009, we had net sales of investments of $35.4 million, received $7.7 million related to the sale of capital equipment to Amylin and spent $5.5 million on capital equipment, whereas during the year ended March 31, 2008, we had net purchases of investments of $83.0 million and spent $21.9 million on capital equipment. The increase in cash provided by investing activities during the year ended March 31, 2008, as compared to the year ended March 31, 2007 was due to the $166.9 million we received from the Reliant transaction during the year ended March 31, 2008, partially offset by an increase in net investment purchases of $76.8 million and a decrease in capital spend.

Financing Activities

The increase in cash used in financing activities during the year ended March 31, 2009, as compared to the year ended March 31, 2008, was primarily due to the $83.4 million we recorded as a financing activity related to the purchase of our 7% Notes, partially offset by reductions in the purchase of treasury stock.

During the year ended March 31, 2008, we purchased treasury stock at a cost of $93.4 million, which consisted of $33.4 million of purchases made on the open market and $60.0 million purchased through a structured stock repurchase arrangement with a large financial institution in order to lower the average cost to acquire these shares. The increase in cash used in financing activities in the year ended March 31, 2008, as compared to the year ended March 31, 2007, was primarily due to an increase in the purchase of treasury stock.

Investments

We invest in short-term and long-term investments consisting of U.S. government and agency debt securities, corporate debt securities and other debt securities including student loan backed auction rate securities and asset backed debt securities. We also hold strategic investments which include the common stock of companies we do or did have a collaborative arrangement with. Our investment objectives are, first, to assure liquidity and conservation of capital and, second, to obtain investment income. At March 31, 2009, our short-term investments consist of available-for-sale investments with gross unrealized gains of $2.6 million and gross unrealized losses of less than $0.1 million. At March 31, 2009, our long-term investments consist of $4.7 million of held-to-maturity investments that are restricted and held as collateral under certain letters of credit related to certain of our lease agreements and $76.2 million of available-for-sale investments. The long-term available-for-sale investments have gross unrealized losses of $9.0 million, and we classify these investments as long-term as we believe these losses are temporary but recovery of the losses will extend beyond one year. We have the intent and ability to hold these investments to recovery, which may be at maturity. At March 31, 2009, the fair value of our corporate debt securities, student loan backed auction rate securities and asset backed debt securities are measured using significant unobservable inputs ("Level 3" investments) and comprise 18% of our total cash and investment portfolio.

At March 31, 2009, we performed an analysis of our investments with unrealized losses for impairment. We determined that, with the exception of certain of our strategic investments, our investments with unrealized losses are temporarily impaired. During the year ended March 31, 2009, we recorded $1.2 million in other-than-temporary impairments attributed to our strategic investments. Other-than-temporary impairments are realized and recorded in our consolidated statements of income as a component of other income (expense), whereas temporary impairments, or unrealized losses, are recorded in accumulated other comprehensive loss, a component of shareholders' equity.

During the three months ended March 31, 2009, certain of our investments in corporate debt securities with an original cost of $66.0 million had little or no trades. These securities consist primarily of investment grade subordinated, medium term, callable step-up floating rate notes ("FRN") issued by several large European and U.S. banks. At March 31, 2009, the FRN's had composite ratings by Moody's, Standard & Poor's ("S&P") and Fitch of between AA and A-. These FRN's did not trade either because they were nearing their scheduled call dates or due to increasing credit spreads on the debt of the issuers. We estimate the fair value of the FRN's to be $59.7 million at March 31, 2009. Similar securities we have held have been called at par by issuers prior to maturity.

Since the FRN's were not actively trading in the credit markets and fair value could not be derived from quoted prices, we used a discounted cash flow model to determine the estimated fair value of the securities at March 31, 2009. The assumptions used in the discounted cash flow model included estimates for interest rates, expected holding periods and risk adjusted discount rates, which we believe to be the most critical assumptions utilized within the analysis. Our valuation analysis considered, among other items, assumptions that market participants would use in their estimates of fair value, such as the creditworthiness and credit spreads of the issuer and when callability features may be exercised by the issuer. These securities were also compared, where possible, to other observable market data with similar characteristics to the securities held by us.

In making the determination that the decline in fair value of the FRN's was temporary, we considered various factors, including but not limited to: the length of time each security was in an unrealized loss position, the extent to which fair value was less than cost, financial condition and near term prospects of the issuers and our intent and ability to hold each security for a period of time sufficient to allow for any

anticipated recovery in fair value. The estimated fair value of the FRN's could change significantly based on future financial market conditions. We will continue to monitor the securities and the financial markets, and if there is continued deterioration the fair value of these securities could decline further resulting in an other-than-temporary impairment charge.

Our two investments in auction rate securities each had an original cost of $5.0 million and invest in taxable student loan revenue bonds issued by the Colorado Student Obligation Bond Authority ("Colorado") and Brazos Higher Education Service Corporation ("Brazos") which service student loans under the Federal Family Education Loan Program. The bonds are collateralized by student loans purchased by the authorities which are guaranteed by state sponsored agencies and reinsured by the U.S. Department of Education. Liquidity for these securities is typically provided by an auction process that resets the applicable interest rate at pre-determined intervals. The Colorado securities are Aaa rated by Moody's and the Brazos securities were downgraded during the three months ended March 31, 2009 to Baa3 by Moody's due to the increase in funding costs due to the continuing and prolonged dislocation of the auction rate securities market. Due to repeated failed auctions since January 2008, we no longer consider these securities to be liquid and classified them as long-term investments in our consolidated balance sheets. The securities continue to pay interest at predetermined interest rates during the periods in which the auctions have failed.

We estimate the fair value of the auction rate securities to be $8.1 million. Since the security auctions have failed and fair value cannot be derived from quoted prices, we used a discounted cash flow model to determine the estimated fair value of the securities at March 31, 2009. The assumptions used in the discounted cash flow model includes estimates for interest rates, timing of cash flows, expected holding periods and risk adjusted discount rates, which include a provision for default risk, which we believe to be the most critical assumptions utilized within the analysis. Our valuation analysis considers, among other items, assumptions that market participants would use in their estimates of fair value, such as the collateral underlying the security, the creditworthiness of the issuer and any associated guarantees, the timing of expected future cash flows, and the expectation of the next time the security will have a successful auction or when callability features may be exercised by the issuer. These securities were also compared, where possible, to other observable market data with similar characteristics to the securities held by us.

In making the determination that the decline in fair value of the auction rate securities was temporary, we considered various factors, including but not limited to: the length of time each security was in an unrealized loss position, the extent to which fair value was less than cost, financial condition and near term prospects of the issuers and our intent and ability to hold each security for a period of time sufficient to allow for any anticipated recovery in fair value. The estimated fair value of the auction rate securities could change significantly based on future financial market conditions. We will continue to monitor the securities and the financial markets and if there is continued deterioration, the fair value of these securities could decline further resulting in an other-than-temporary impairment charge.

Our investments in asset backed debt securities have a cost of $6.9 million and consist of medium term floating rate notes ("MTN") of Aleutian Investments, LLC ("Aleutian") and Meridian Funding Company, LLC ("Meridian"), which are qualified special purpose entities ("QSPE") of Ambac Financial Group, Inc. ("Ambac") and MBIA, Inc. ("MBIA"), respectively. Ambac and MBIA are guarantors of financial obligations and are referred to as monoline financial guarantee insurance companies. The QSPE's, which purchase pools of assets or securities and fund the purchase through the issuance of MTN's, have been established to provide a vehicle to access the capital markets for asset backed debt securities and corporate borrowers. The MTN's include a sinking fund redemption feature which match-fund the terms of redemptions to the maturity dates of the underlying pools of assets or securities in order to mitigate potential liquidity risk to the QSPE's. At March 31, 2009, $5.5 million of our initial investment in the Meridian MTN's had been redeemed by MBIA through scheduled sinking fund redemptions at par value, and the first sinking fund redemption on the Aleutian MTN is scheduled for June 2009.

The liquidity and fair value of these securities has been negatively impacted by the uncertainty in the credit markets, and the exposure of these securities to the financial condition of monoline financial guarantee insurance companies, including Ambac and MBIA. In April 2009, Moody's downgraded Ambac to Ba3 from

Baa1, and in November 2008, Standard & Poor's ("S&P") downgraded Ambac to A from AA. In February 2009, Moody's downgraded MBIA to B3 from Baa1, and S&P downgraded MBIA to BBB+ from AA. The downgrades were all attributed to Ambac's and MBIA's inability to maintain adequate capital levels. We may not be able to liquidate our investment in these securities before the scheduled redemptions or until trading in the securities resumes in the credit markets, which may not occur.

We estimate the fair value of the asset backed securities to be $6.1 million. Because the MTN's are not actively trading in the credit markets and fair value cannot be derived from quoted prices, we used a discounted cash flow model to determine the estimated fair value of the securities at March 31, 2009. Our valuation analyses consider, among other items, assumptions that market participants would use in their estimates of fair value such as the collateral underlying the security, the creditworthiness of the issuer and the associated guarantees by Ambac and MBIA, the timing of expected future cash flows, including whether the callability features of these investments may be exercised by the issuer. We believe there are several significant assumptions that are utilized in our valuation analysis, the most critical of which is the discount rate, which includes a provision for default and liquidity risk.

At March 31, 2009, we determined that the securities had been temporarily impaired due to the length of time each security was in an unrealized loss position, the extent to which fair value was less than cost, the financial condition and near term prospects of the issuers, current redemptions made by one of the issuers and our intent and ability to hold each security for a period of time sufficient to allow for any anticipated recovery in fair value or until scheduled redemption. We do not expect the estimated fair value of these securities to decrease significantly in the future unless credit market conditions continue to deteriorate significantly or the credit ratings of the issuers are further downgraded.

The other-than-temporary impairment charges taken during the year ended March 31, 2009 on our strategic investments and the illiquid nature of the auction rate and asset backed securities do not have a material impact on our liquidity or our financial flexibility or stability. Based on our ability to access our cash and our expected operating cash flows and other sources of cash, we do not anticipate the lack of liquidity on the auction rate and asset backed securities will affect our ability to execute our current business plan.

Borrowings

At March 31, 2009, our borrowings consisted of $75.9 million of the 7% Notes. We have been making interest payments on the 7% Notes and made our first quarterly principal payment of $6.4 million on April 1, 2009. During the year ended March 31, 2009, we purchased, in five separately negotiated transactions, an aggregate total of $93.0 million principal amount of the 7% Notes for $89.4 million. We recorded a loss on the extinguishment of the notes of $2.5 million, consisting of $0.9 million of transaction fees and a $1.6 million difference between the carrying value and the purchase price of the 7% Notes. As a result of the purchases, we save approximately $16.5 million in interest expense, which includes $12.9 million in cash payments for interest and $3.6 million of original discount accretion over the remaining life of the 7% Notes. The 7% Notes, which have a remaining principal amount of $77.0 million are scheduled to be paid in full on January 1, 2012.

Capital Requirements

We may continue to pursue opportunities to obtain additional financing in the future. Such financing may be sought through various sources, including debt and equity offerings, corporate collaborations, bank borrowings, arrangements relating to assets or other financing methods or structures. The source, timing and availability of any financings will depend on market conditions, interest rates and other factors. Our future capital requirements will also depend on many factors, including continued scientific progress in our research and development programs (including our proprietary product candidates), the size of these programs, progress with preclinical testing and clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in filing, prosecuting and enforcing patent claims, competing technological and market developments, the establishment of additional collaborative arrangements, the cost of manufacturing facilities and of commercialization activities and arrangements and the cost of product in-licensing and any possible

acquisitions and, for any future proprietary products, the sales, marketing and promotion expenses associated with marketing such products. We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We may need to raise substantial additional funds for longer-term product development, including development of our proprietary product candidates, regulatory approvals and manufacturing and sales and marketing activities that we might undertake in the future. There can be no assurance that additional funds will be available on favorable terms, if at all. If adequate funds are not available, we may be required to curtail significantly one or more of our research and development programs and/or obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, product candidates or future products.

We expect to spend approximately $13.0 million during the year ended March 31, 2010 for capital expenditures.

Contractual Obligations

The following table summarizes our obligations to make future payments under current contracts at March 31, 2009:

Contractual Cash Obligations	Total	Less Than One Year (Fiscal 2010)	One to Three Years (Fiscal 2011-2012)	Three to Five Years (Fiscal 2013-2014)	More Than Five Years (After Fiscal 2015)
			(In thousands)		
7% Notes — principal(1)	$ 77,000	$ 25,667	$ 51,333	$ —	$ —
7% Notes — interest(1)	8,759	4,716	4,043	—	—
Operating lease obligations	35,918	10,233	20,577	3,844	1,264
Purchase obligations	29,109	29,109	—	—	—
Capital expansion programs	854	854	—	—	—
Total contractual cash obligations	$ 151,640	$ 70,579	$ 75,953	$ 3,844	$ 1,264

(1) The 7% Notes were issued by RC Royalty Sub LLC, a wholly-owned subsidiary of Alkermes, Inc. The 7% Notes are non-recourse to Alkermes, Inc. (see Note 9 to the consolidated financial statements included in this Form 10-K).

We enter into license agreements with third parties that may require us to make royalty, milestone or other payments that are contingent upon the occurrence of certain future events linked to the successful development and commercialization of pharmaceutical products. Certain of the payments may be contingent upon the successful achievement of an important event in the development life cycle of these pharmaceutical products, which may or may not occur. If required by the agreements, we may make royalty payments based upon a percentage of the sales of a pharmaceutical product if regulatory approval to market this product is obtained and the product is commercialized. Because of the contingent nature of these payments, we have not attempted to predict the amount or period in which such payments would possibly be made and thus they are not included in the table of contractual obligations.

This table also excludes any liabilities pertaining to uncertain tax positions as we cannot make a reliable estimate of the period of cash settlement with the respective taxing authorities. In connection with the adoption of FASB Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109"* ("FIN No. 48"), we have approximately $0.2 million of long term liabilities associated with uncertain tax positions at March 31, 2009.

In September 2006, we and RPI entered into a license agreement granting us exclusive rights to a family of opioid receptor compounds discovered at RPI. Under the terms of the agreement, RPI granted us an

exclusive worldwide license to certain patents and patent applications relating to its compounds designed to modulate opioid receptors. We will be responsible for the continued research and development of any resulting product candidates. We paid RPI a nonrefundable upfront payment of $0.5 million and are obligated to pay annual fees of up to $0.2 million, and tiered royalty payments of between 1% and 4% of annual net sales in the event any products developed under the agreement are commercialized. In addition, we are obligated to make milestone payments in the aggregate of up to $9.1 million upon certain agreed-upon development events. All amounts paid to RPI under this license agreement have been expensed and are included in research and development expenses.

In April 2009, we entered into a lease agreement in connection with the move of our corporate headquarters from Cambridge, Massachusetts to Waltham, Massachusetts which is scheduled to occur in early calendar 2010. The initial lease term, which begins upon our move into the new facility, is for 10 years with provisions for us to extend the lease term up to an additional 10 years. The Company's rent expense related to this new space will be approximately $2.7 million a year during the initial lease term, and this lease obligation is not included in the contractual obligations table above.

Off-Balance Sheet Arrangements

At March 31, 2009, we were not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), which require management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We believe that our most critical accounting estimates are in the areas of revenue recognition, investments, share-based compensation and income taxes.

Manufacturing revenues, Product sales and Royalty revenues

For the year ended March 31, 2009, our manufacturing revenues consist of sales from two products, RISPERDAL CONSTA and VIVITROL. RISPERDAL CONSTA is sold exclusively to Janssen under a license agreement in which we granted Janssen an exclusive worldwide license to use and sell RISPERDAL CONSTA. We record manufacturing revenues from sales of RISPERDAL CONSTA when the product is shipped to Janssen at a price based on 7.5% of Janssen's net unit sales price for RISPERDAL CONSTA for the calendar year. As the sales price is based on information supplied to us by Janssen, this may require estimates to be made. Differences between the actual revenue and estimated revenues are reconciled and adjusted for in the period in which they become known. Historically, adjustments have not been material based on actual amounts paid by Janssen. We also receive a royalty equal to 2.5% of net sales of RISPERDAL CONSTA in the period the product is sold by Janssen.

Prior to December 1, 2008, we manufactured and sold VIVITROL exclusively to Cephalon for sale of the product in the U.S. under the Agreements and Amendments. We recorded manufacturing revenues upon shipment of the product to Cephalon at cost plus a manufacturing profit of 10%. We also have an agreement in which we granted Cilag a license to commercialize and sell VIVITROL in Russia and the CIS. We record manufacturing revenues under this agreement upon shipment of the product to Cilag at an agreed upon price. We also earn a royalty equal to a minimum of 15% of net sales of VIVITROL in Russia and the CIS in the period the product is sold by Cilag.

On December 1, 2008, we became responsible for the commercialization and sale of VIVITROL in the U.S. We recognize revenue from product sales from the sale of VIVITROL when persuasive evidence of an arrangement exists, title to the product and associated risk of loss has passed to the customer, which is considered to have occurred when the product has been received by the customer, the sales price is fixed or determinable and collectibility is reasonably assured. We sell VIVITROL primarily to wholesalers, specialty distributors and specialty pharmacies. We record VIVITROL product sales net of the following categories of

allowances: product returns; payment term discounts; Medicaid discounts; and other discounts. Calculating each of these items involves estimates and judgments and requires us to use information from external sources. Based on Cephalon's history of VIVITROL sales in the U.S., known market events and trends, third party data, customer buying patterns and up-to-date knowledge of contractual and statutory requirements, we believe we are able to make reasonable estimates of sales discounts.

1) *Product Returns* — In accordance with SFAS No. 48, "*Revenue Recognition When Right of Return Exists*" ("SFAS No. 48"), we cannot recognize revenue on product shipments until we can reasonably estimate returns related to these shipments. We defer the recognition of revenue on shipments of VIVITROL to our customers until the product has left the distribution channel. We estimate product shipments out of the distribution channel through data provided by external sources, including information on inventory levels provided by our customers in the distribution channel, as well as prescription information. In order to match the cost of goods related to products shipped to customers with the associated revenue, we defer the recognition of the cost of goods to the period in which the associated revenue is recognized.

2) *Payment Term Discounts* — We offer our direct purchase customers a 2% prompt-pay cash discount as an incentive to remit payment within the first 30 days after the date of the invoice. Prompt-pay discount calculations are based on the gross amount of each invoice. We account for these discounts by reducing sales by the 2% discount amount when product is shipped into the distribution channel, and apply earned cash discounts at the time of payment. We adjust the accrual to reflect actual experience as necessary.

3) *Medicaid Rebates* — We record accruals for rebates to be provided through the Medicaid Drug Rebate Program as a reduction of sales when the product is shipped into the distribution channel. We rebate individual states for all eligible units purchased under the Medicaid program based on a rebate per unit calculation, which is based on our Average Manufacturer Price ("AMP"). We estimate the expected rebate per unit used and adjust our rebate accruals based on expected changes in rebate pricing. We also examine the historical rebate trends and the trend of sales that become eligible for Medicaid programs and any expected changes to these trends.

4) *Other* — We offer special programs and discounts to support the commercialization and sale of VIVITROL. During the year ended March 31, 2009, we utilized a discount program which included free product sample vouchers and reimbursement of insurance co-pays for certain patients for a limited period. We also have agreements with certain wholesalers and other customers that provide them an opportunity to earn discounts in exchange for the performance of certain services ("fee-for-service" discounts). We have agreements with certain group purchasing organizations ("GPO") in which its members or others can purchase product from our wholesalers or other customers at a specified price, which may be below our customer's purchase price. In these instances, our customer requests a credit from us, which is referred to as a chargeback. We record accruals for fee-for-service discounts and chargebacks as a reduction of sales when the product is sold.

The following table summarizes activity in each of the above product sales allowances categories for the period of December 1, 2008 through March 31, 2009:

	Product Returns	Prompt-Pay Discounts	Medicaid Rebates	Other	Total
			(In millions)		
Balance, December 1, 2008	$ —	$ —	$ —	$ —	$ —
Current provision:					—
Current year	1.4	0.1	0.2	0.2	1.9
Actual:					—
Current year	(0.1)	—	—	—	(0.1)
Balance, March 31, 2009	$ 1.3	$ 0.1	$ 0.2	$ 0.2	$ 1.8

Research and development revenue under collaborative arrangements

Our research and development revenue consists of nonrefundable research and development funding under collaborative arrangements with various collaborative partners. We are generally compensated for formulation, preclinical and clinical testing related to the collaborative research programs using a negotiated FTE or hourly rate for hours worked by our employees, plus direct external research costs, if any. This rate is established by us based on our annual budget of employee compensation, employee benefits and billable non-project-specific costs and is generally increased annually based on increases in the consumer price index. We recognize research and development revenue under collaborative arrangements over the term of the applicable agreements through the application of a proportional performance model where revenue is recognized in an amount equal to the lesser of the amount due under the agreements or an amount based on the proportional performance to date. We recognize nonrefundable payments and fees for the licensing of technology or intellectual property rights over the related performance period or when there is no remaining performance required. Nonrefundable payments and fees are recorded as deferred revenue upon receipt and may require deferral of revenue recognition to future periods.

At times, we enter into arrangements with customers or collaborators that have multiple elements. To recognize a delivered item in a multiple element arrangement, delivered items must have value to the customer on a stand-alone basis, there must be objective and reliable evidence of fair value of the undelivered items and that delivery or performance is probable and within our control for any delivered items that have a right of return.

Net collaborative profit

Under the terms of the Agreements with Cephalon related to VIVITROL, we received total nonrefundable payments of $274.6 million, and for the purposes of revenue recognition we separated the deliverables under the Agreements into three units of accounting: (i) net losses on the products; (ii) manufacturing of the products; and (iii) the product license. The nonrefundable payments allocated to each of the accounting units was based initially on the fair value of each unit as determined at the date the payments were received. The fair values of the accounting units were reviewed periodically and adjusted, as appropriate. These payments were recorded in the consolidated balance sheets as *"Unearned milestone revenue — current portion"* and *"Unearned milestone revenue — long-term portion"* prior to being earned. The classification between the current and long-term portions was based on our best estimate of whether the milestone revenue was recognized during or after the 12-month period following the reporting period, respectively. When earned, the revenue was recorded as "net collaborative profit" in the consolidated statements of income and comprehensive income.

Under the terms of the Agreements and Amendments, we were responsible for the first $124.6 million of net VIVITROL losses through December 31, 2007 (the "cumulative net loss cap"). Net VIVITROL losses excluded development costs incurred by us to obtain FDA approval of VIVITROL and costs incurred by us to complete the first VIVITROL manufacturing line, both of which were our sole responsibility. Cephalon was responsible to pay all net VIVITROL losses in excess of the cumulative net loss cap through December 31, 2007. After December 31, 2007, all net VIVITROL losses were divided between us and Cephalon in approximately equal shares.

Cephalon recorded net sales from VIVITROL in the U.S. We and Cephalon reconciled the costs incurred by each party to develop, commercialize and manufacture VIVITROL against revenues earned to determine net losses in each reporting period. To the extent that the cash earned or expended by either of the parties exceeded or was less than its proportional share of net loss for a period, the parties settled by delivering cash such that the net cash earned or expended equals each party's proportional share. The cash flow between the companies related to our share of net VIVITROL losses was recorded in the period in which it was made as "Net collaborative profit" in the consolidated statements of income and comprehensive income.

Under the terms of the Agreements, we were responsible for the manufacture of clinical and commercial supplies of VIVITROL for sale in the U.S., and we granted Cephalon a co-exclusive license to the our patents and know-how necessary to use, sell, offer for sale and import the products for all current and future indications in the U.S. We recorded the earned portion of the arrangement consideration allocated to the manufacturing of the products at cost when the product was shipped to Cephalon and also recorded manufacturing profit, which equaled a 10% markup on VIVITROL cost of goods manufactured and drew

down unearned milestone revenue. We recorded the earned portion of the arrangement consideration allocated to the product license to revenue on a straight-line basis over the expected life of VIVITROL, being 10 years.

In October 2006, we and Cephalon entered into the Amendments in which the parties agreed that Cephalon would purchase from us two VIVITROL manufacturing lines (and related equipment) under construction. Amounts we received from Cephalon for the sale of the two VIVITROL manufacturing lines were recorded as *"Deferred revenue — long-term portion"* in the consolidated balance sheets.

In connection with the termination of the VIVITROL collaboration with Cephalon, we recognized $120.7 million of net collaborative profit, consisting of $113.9 million of unearned milestone revenue and $6.8 million of deferred revenue remaining on our books at the Termination Date. At the Termination Date, we had $22.8 million of deferred revenue related to the original sale of the two partially completed VIVITROL manufacturing lines to Cephalon. We paid Cephalon $16.0 million to reacquire the title to these manufacturing lines and accounted for the payment as a reduction to the deferred revenue previously recognized. The remaining $6.8 million of deferred revenue and the $113.9 million of unearned milestone revenue were recognized in the three months ended December 31, 2008, through net collaborative profit, as we had no remaining performance obligations to Cephalon beyond the Termination Date and the amounts were nonrefundable to Cephalon. We received $11.0 million from Cephalon as payment to fund their share of estimated VIVITROL product losses during the one-year period following the Termination Date, and we are recognizing this payment as net collaborative profit through the application of a proportional performance model based on net VIVITROL losses.

Investments

We invest in various types of securities including U.S. government and agency obligations, corporate debt securities and other debt securities including student loan backed auction rate securities and asset backed debt securities in accordance with our documented corporate policies. We also have strategic investments which include the common stock and warrants of companies we do or did have a collaborative agreement with. Substantially all of our investments are classified as "available-for-sale," and are recorded at fair value. Holding gains and losses on these investments are considered "unrealized" and are reported within accumulated other comprehensive income, a component of shareholders' equity. Realized gains and losses are reported in other (expense) income, net. Valuation of available-for-sale securities for purposes of determining the amount of gains and losses is based on the specific identification method. Our held-to-maturity investments are restricted investments held as collateral under certain letters of credit related to our lease arrangements and are recorded at amortized cost.

The earnings on our investment portfolio may be adversely affected by changes in interest rates, credit ratings, collateral value, the overall strength of credit markets and other factors that may result in other-than-temporary declines in the value of the securities. On a quarterly basis, we review the fair market value of our investments in comparison to historical cost. If the fair market value of a security is significantly less than its carrying value, we consider all available evidence in assessing when and if the value of the investment can be expected to recover to at least its historical cost. This evidence would include:

- the extent and duration to which fair value is less than cost;
- historical operating performance and financial condition of the issuer, including industry and sector performance;
- short and long-term prospects of the issuer and its industry;
- specific events that occurred affecting the issuer;
- overall market conditions and trends; and
- our ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value.

If our review indicates that the decline in value is other-than-temporary, we write down our investment to the then current market value and record an impairment charge to our consolidated statements of income and comprehensive income. The determination of whether an unrealized loss is other-than-temporary requires

significant judgment and can have a material impact on our reported earnings. The liquidity of our student loan backed auction rate securities and asset backed debt securities have been affected due to the uncertainty in the credit markets. We may have to record an other-than-temporary impairment charge in the future on our auction rate securities if the trading in the securities in the credit market does not resume or on our asset backed securities if sinking fund redemptions do not occur.

In accordance with SFAS No. 157, *"Fair Value Measurement"* ("SFAS No. 157"), we have classified our financial assets and liabilities as Level 1, 2 or 3 within the fair value hierarchy. Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset.

Financial assets that are classified as Level 2 are initially valued at the transaction price and subsequently valued utilizing third party pricing sources. At March 31, 2009, we did not hold any investments classified as Level 2. We hold investments classified as Level 3 which includes certain of our investments in corporate debt securities, student loan backed auction rate securities and asset backed debt securities. Fair value for these Level 3 investments are initially measured at transaction prices and subsequently valued using discounted cash flow models which consider, among other items, assumptions that the market participants would use in their estimates of fair value, such as the collateral underlying the security, the creditworthiness of the issuer and any associated guarantees and the timing of expected future cash flows. While we believe the valuation methodologies are appropriate, the use of valuation methodologies is highly judgmental and changes in methodologies can have a material impact on our results of operations. We also hold warrants to purchase the common stock of a former collaborator which are classified using Level 3 inputs. The carrying value of these warrants was immaterial at March 31, 2009 and 2008.

Share-based Compensation

In connection with valuing stock options, we utilize the Black-Scholes option-pricing model, which requires us to estimate certain subjective assumptions. These assumptions include the expected option term, which takes into account both the contractual term of the option and the effect of our employees' expected exercise and post-vesting termination behavior; expected volatility of our common stock over the option's expected term, which is developed using both the historical volatility of our common stock and implied volatility from our publicly traded options; the risk-free interest rate over the option's expected term; and our expected annual dividend yield. Due primarily to the expected exercise and post-vesting termination behavior of our employees and non-employee directors, we establish separate Black-Scholes assumptions for three distinct populations which consist of our senior management, our non-employee directors, and all other employees. For the year ended March 31, 2009, the range in weighted-average assumptions were as follows:

Expected option term	5 - 7 years
Expected stock volatility	36% - 46%
Risk-free interest rate	1.66% - 3.52%
Expected annual dividend yield	—

In addition, our management must also apply judgment in developing an estimate of awards that may be forfeited. For the year ended March 31, 2009, we used a forfeiture estimate of 0% for our non-employee directors, 4.75% for members of senior management and 12% for all other employees. For all of the assumptions used in determining the fair value and forfeiture estimates, our historical experience is generally the starting point for developing our expectations, which may be modified to reflect information available at the time of grant that would indicate that the future is reasonably expected to differ from the past.

Income Taxes

We use the asset and liability method of accounting for deferred income taxes. Our most significant tax jurisdictions are the U.S. federal government and states. Significant judgments, estimates and assumptions regarding future events, such as the amount, timing and character of income, deductions and tax credits, are

required in the determination of our provision for income taxes and whether valuation allowances are required against deferred tax assets. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence including our past operating results, the existence of cumulative income in the most recent fiscal years, changes in the business in which we operate and our forecast of future taxable income. In determining future taxable income, we are responsible for assumptions utilized including the amount of state, federal and international pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates that we are using to manage the underlying businesses. As of March 31, 2009, we determined that it is more likely than not that the deferred tax assets will not be realized and a full valuation allowance has been recorded.

We account for uncertain tax positions in accordance with FIN No. 48. FIN No. 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest and penalties and disclosure. We also recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Recent Accounting Pronouncements

In November 2007, the Emerging Issues Task Force ("EITF") of the FASB reached a final consensus on EITF Issue No. 07-1, *"Accounting for Collaborative Arrangements Related to the Development and Commercialization of Intellectual Property"* ("EITF No. 07-1"). EITF No. 07-1 is effective for our fiscal year beginning April 1, 2009, and adoption is on a retrospective basis to all prior periods presented for all collaborative arrangements existing as of the effective date. We do not expect the adoption of this standard to have a significant impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities"* ("SFAS No. 161"). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for our fiscal year beginning April 1, 2009, and we do not expect the adoption of this standard to have a significant impact on our consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position ("FSP") No. APB 14-1, *"Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)"* ("FSP No. APB 14-1"). FSP No. APB 14-1 specifies that issuers of convertible debt instruments that may be settled in cash should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP No. APB 14-1 is effective for our fiscal year beginning April 1, 2009, and we do not expect the adoption of this standard to have a significant impact on our consolidated financial statements.

In April 2009, the FASB issued three FSP's related to investments, FSP No. FAS 157-4, *"Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"* ("FSP FAS 157-4"); FSP No. FAS 115-2 and FAS 124-2, "*Recognition and Presentation of Other-Than-Temporary Impairments*" ("FSP FAS 115-2 and FAS 124"); and FSP No. FAS 107-1 and APB 28-1, *"Interim Disclosures about Fair Value of Financial Instruments"* ("FSP FAS 107-1 and APB 28-1"). FSP 157-4 provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have significantly decreased and includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 115-2 and FAS 124 amends the other-than-temporary impairment guidance in existing U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. FSP FAS 107-1 and APB 28-1 requires disclosures about the fair value of financial instruments be made in interim reporting periods as well as in annual financial statements for publicly traded companies. The three FSP's are effective for our fiscal year

beginning April 1, 2009, and we are currently evaluating the impact the adoption of these standards will have on our consolidated financial statements.

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

We hold financial instruments in our investment portfolio that are sensitive to market risks. Our investment portfolio, excluding warrants and equity securities we hold in connection with our collaborations and licensing activities, is used to preserve capital until it is required to fund operations. Our held-to-maturity investments are restricted and are held as collateral under certain letters of credit related to our lease agreements. Our short-term and long-term investments consist of U.S. government debt securities, U.S. agency debt securities, corporate debt securities, including auction rate securities and asset backed debt securities. These debt securities are: (i) classified as available-for-sale; (ii) recorded at fair value; and (iii) subject to interest rate risk, and could decline in value if interest rates increase. Fixed rate interest securities may have their market value adversely impacted by a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectation due to a fall in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in the market value due to changes in interest rates. However, because we classify our investments in debt securities as available-for-sale, no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary. Should interest rates fluctuate by 10%, our interest income would change by approximately $1.1 million over an annual period. Due to the conservative nature of our short-term and long-term investments and our investment policy, we do not believe that we have a material exposure to interest rate risk. Although our investments are subject to credit risk, our investment policies specify credit quality standards for our investments and limit the amount of credit exposure from any single issue, issuer or type of investment.

Our investments that are subject to the greatest liquidity and credit risk at this time are our investments in asset backed debt securities and auction rate securities. Holding all other factors constant, if we were to increase the discount rate utilized in our valuation analysis of the asset backed debt securities and auction rate securities by 50 basis points (one-half of a percentage point), this change would have the effect of reducing the fair value of these investments by less than $0.1 million and $0.2 million at March 31, 2009, respectively. As it relates to auction rate securities, holding all other factors constant, if we were to increase the average expected term utilized in our fair value analysis by one year, this change would have the effect of reducing the fair value of these securities by approximately $0.1 million at March 31, 2009.

At March 31, 2009, the fair value of our 7% Notes was $74.7 million and the carrying value was $75.9 million. The interest rate on these notes are fixed and therefore not subject to interest rate risk.

We do not believe that inflation and changing prices have had a material impact on our results of operations.

Foreign Currency Exchange Rate Risk

The manufacturing and royalty revenues we receive on RISPERDAL CONSTA are a percentage of the net sales made by our collaborative partner, Janssen. A majority of these sales are made in foreign countries and are denominated in foreign currencies. The manufacturing and royalty payments on these foreign sales is calculated initially in the foreign currency in which the sale is made and is then converted into U.S. dollars to determine the amount that Janssen pays us for manufacturing and royalty revenues. Fluctuations in the exchange ratio of the U.S. dollar and these foreign currencies will have the effect of increasing or decreasing our manufacturing and royalty revenues even if there is a constant amount of sales in foreign currencies. For example, if the U.S. dollar weakens against a foreign currency, then our manufacturing and royalty revenues will increase given a constant amount of sales in such foreign currency.

The impact on our manufacturing and royalty revenues from foreign currency exchange rate risk is based on a number of factors, including the exchange rate (and the change in the exchange rate from the prior period) between a foreign currency and the U.S. dollar, and the amount of RISPERDAL CONSTA sales by Janssen that are denominated in foreign currencies. For the year ended March 31, 2009, an average 10%

strengthening of the U.S. dollar relative to the currencies in which RISPERDAL CONSTA is sold would have resulted in our RISPERDAL CONTSTA manufacturing and royalty revenues being reduced by approximately $7.0 million and $3.7 million, respectively.

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

Selected Quarterly Financial Data

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Year Ended March 31, 2009				
REVENUES:				
Manufacturing revenues	$ 38,610	$ 33,039	$ 20,533	$ 24,662
Royalty revenues	8,581	8,439	7,970	8,257
Product sales, net	—	—	—	4,467
Research and development revenue under collaborative arrangements	31,450	5,252	3,736	1,649
Net collaborative profit(1)	1,351	581	123,422	4,840
Total revenues	79,992	47,311	155,661	43,875
EXPENSES:				
Cost of goods manufactured and sold	14,314	12,071	5,536	11,475
Research and development	22,261	19,710	22,669	24,838
Selling, general and administrative	11,926	11,679	14,568	20,835
Total expenses	48,501	43,460	42,773	57,148
OPERATING INCOME (LOSS)	31,491	3,851	112,888	(13,273)
OTHER EXPENSE	(774)	(2,216)	(503)	(452)
INCOME (LOSS) BEFORE INCOME TAXES	30,717	1,635	112,385	(13,725)
INCOME TAX PROVISION (BENEFIT)	1,030	(63)	(330)	(130)
NET INCOME (LOSS)	$ 29,687	$ 1,698	$ 112,715	$ (13,595)
BASIC NET INCOME (LOSS) PER SHARE	$ 0.31	$ 0.02	$ 1.18	$ (0.14)
DILUTED NET INCOME (LOSS) PER SHARE	$ 0.31	$ 0.02	$ 1.18	$ (0.14)
Year Ended March 31, 2008				
REVENUES:				
Manufacturing revenues	$ 31,517	$ 24,137	$ 14,275	$ 31,771
Royalty revenues	6,982	7,348	7,384	7,743
Research and development revenue under collaborative arrangements	23,450	21,206	23,985	20,869
Net collaborative profit	6,989	5,909	5,127	2,025
Total revenues	68,938	58,600	50,771	62,408
EXPENSES:				
Cost of goods sold	10,145	9,218	7,499	13,815
Research and development	32,619	28,317	30,395	33,937
Selling, general and administrative	15,400	14,487	15,249	14,372
Impairment and restructuring	—	—	—	18,053
Total expenses	58,164	52,022	53,143	80,177
OPERATING INCOME (LOSS)	10,774	6,578	(2,372)	(17,769)
OTHER INCOME (EXPENSE)(2)	355	1,320	174,442	(498)
INCOME (LOSS) BEFORE INCOME TAXES	11,129	7,898	172,070	(18,267)
INCOME TAX PROVISION	2,382	200	3,189	80
NET INCOME (LOSS)	$ 8,747	$ 7,698	$ 168,881	$ (18,347)
BASIC NET INCOME (LOSS) PER SHARE	$ 0.09	$ 0.08	$ 1.66	$ (0.19)
DILUTED NET INCOME (LOSS) PER SHARE	$ 0.08	$ 0.07	$ 1.63	$ (0.19)

(1) Includes $120.7 million recognized as revenue upon the termination of the VIVITROL collaboration with Cephalon during the three months ended December 31, 2008.

(2) Includes the gain on sale of investment in Reliant recognized in the third quarter of fiscal 2008.

All financial statements, other than the quarterly financial data as required by Item 302 of Regulation S-K summarized above, required to be filed hereunder, are filed as an exhibit hereto, are listed under Item 15(a) (1) and (2), and are incorporated herein by reference.

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

Not applicable.

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

(a) 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) of the Securities Exchange Act of 1934) as of March 31, 2009. This evaluation included consideration of the controls, processes and procedures that comprise our internal control over financial reporting. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2009, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file under the Securities Exchange Act of 1934 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 as appropriate to allow timely decisions regarding required disclosure.

(b) Evaluation of internal control over financial reporting

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2009, based on the framework in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In completing our assessment, no material weaknesses in our internal controls over financial reporting as of March 31, 2009 were identified. Based on this assessment, management believes that the Company's internal control over financial reporting was effective as of March 31, 2009.

The effectiveness of our internal control over financial reporting as of March 31, 2009 has been attested to by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in internal controls

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(d) Inherent Limitations of Disclosure Controls and Procedures and Internal Control Over Financial Reporting

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that

the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, there can be no assurance that any system of disclosure controls and procedures or internal control over financial reporting will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

Item 9B. ***Other Information***

Our policy governing transactions in our securities by our directors, officers and employees permits our officers, directors and employees to enter into trading plans in accordance with Rule 10b5-1 under the Exchange Act. During the three months ended March 31, 2009, Mr. Robert A. Breyer and Mr. Paul J. Mitchell, directors of the Company, entered into trading plans in accordance with Rule 10b5-1 and our policy governing transactions in our securities by our directors, officers and employees. We undertake no obligation to update or revise the information provided herein, including for revision or termination of an established trading plan.

PART III

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

The information required by this item is incorporated herein by reference to our Proxy Statement for our annual shareholders' meeting (the "2009 Proxy Statement").

Item 11. ***Executive Compensation***

The information required by this item is incorporated herein by reference to the 2009 Proxy Statement.

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

The information required by this item is incorporated herein by reference to the 2009 Proxy Statement.

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

The information required by this item is incorporated herein by reference to the 2009 Proxy Statement.

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

The information required by this item is incorporated herein by reference to the 2009 Proxy Statement.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) (1) *Consolidated Financial Statements* — The consolidated financial statements of Alkermes, Inc. required by this item are submitted in a separate section beginning on page F-1 of this Form 10-K.

(2) *Financial Statement Schedules* — All schedules have been omitted because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.

EXHIBIT INDEX

Exhibit No.	
3.1	Third Amended and Restated Articles of Incorporation as filed with the Pennsylvania Secretary of State on June 7, 2001. (Incorporated by reference to Exhibit 3.1 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2001 (File No. 001-14131).)

Exhibit No.	
3.1(a)	Amendment to Third Amended and Restated Articles of Incorporation as filed with the Pennsylvania Secretary of State on December 16, 2002 (2002 Preferred Stock Terms). (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 16, 2002 (File No. 001-14131).)
3.1(b)	Amendment to Third Amended and Restated Articles of Incorporation as filed with the Pennsylvania Secretary of State on May 14, 2003. (Incorporated by reference to Exhibit A to Exhibit 4.1 to the Registrant's Report on Form 8-A filed on May 2, 2003 (File No. 000-19267).)
3.2	Second Amended and Restated By-Laws of Alkermes, Inc. (Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on September 28, 2005.)
4.1	Specimen of Common Stock Certificate of Alkermes, Inc. (Incorporated by reference to Exhibit 4 to the Registrant's Registration Statement on Form S-1, as amended (File No. 033-40250).)
4.2	Specimen of Non-Voting Common Stock Certificate of Alkermes, Inc. (Incorporated by reference to Exhibit 4.4 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1999 (File No. 001-14131).)
4.3	Rights Agreement, dated as of February 7, 2003, as amended, between Alkermes, Inc. and EquiServe Trust Co., N.A., as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Registrant's Report on Form 8-A filed on May 2, 2003 (File No. 000-19267).)
4.4	Indenture, dated as of February 1, 2005, between RC Royalty Sub LLC and U.S. Bank National Association, as Trustee. (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 3, 2005.)
4.5	Form of Risperdal Consta® PhaRMA℠ Secured 7% Notes due 2018. (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 3, 2005.)
10.1	Amended and Restated 1990 Omnibus Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1998 (File No. 001-14131).)+
10.2	Stock Option Plan for Non-Employee Directors, as amended. (Incorporated by reference to Exhibit 99.2 to the Registrant's Registration Statement on Form S-8 filed on October 1, 2003 (File No. 333-109376).)+
10.3	Lease, dated as of October 26, 2000, between FC88 Sidney, Inc. and Alkermes, Inc. (Incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2000 (File No. 001-14131).)
10.4	Lease, dated as of October 26, 2000, between Forest City 64 Sidney Street, Inc. and Alkermes, Inc. (Incorporated by reference to Exhibit 10.4 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2000 (File No. 001-14131).)
10.5	Lease Agreement, dated as of April 22, 2009 between PDM Unit 850, LLC, and Alkermes, Inc.#
10.6	License Agreement, dated as of February 13, 1996, between Medisorb Technologies International L.P. and Janssen Pharmaceutica Inc. (U.S.) (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.19 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1996 (File No. 000-19267).)*
10.7	License Agreement, dated as of February 21, 1996, between Medisorb Technologies International L.P. and Janssen Pharmaceutica International (worldwide except U.S.) (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.20 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1996 (File No. 000-19267).)*
10.8	Manufacturing and Supply Agreement, dated August 6, 1997, by and among Alkermes Controlled Therapeutics Inc. II, Janssen Pharmaceutica International and Janssen Pharmaceutica, Inc. (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.19 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2002 (File No. 001-14131).)***

Exhibit No.	
10.8(a)	Third Amendment To Development Agreement, Second Amendment To Manufacturing and Supply Agreement and First Amendment To License Agreements by and between Janssen Pharmaceutica International Inc. and Alkermes Controlled Therapeutics Inc. II, dated April 1, 2000 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.5 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.8(b)	Fourth Amendment To Development Agreement and First Amendment To Manufacturing and Supply Agreement by and between Janssen Pharmaceutica International Inc. and Alkermes Controlled Therapeutics Inc. II, dated December 20, 2000 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.4 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.8(c)	Addendum to Manufacturing and Supply Agreement, dated August 2001, by and among Alkermes Controlled Therapeutics Inc. II, Janssen Pharmaceutica International and Janssen Pharmaceutica, Inc. (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.19(b) to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2002 (File No. 001-14131).)***
10.8(d)	Letter Agreement and Exhibits to Manufacturing and Supply Agreement, dated February 1, 2002, by and among Alkermes Controlled Therapeutics Inc. II, Janssen Pharmaceutica International and Janssen Pharmaceutica, Inc. (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.19(a) to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2002.)***
10.8(e)	Amendment to Manufacturing and Supply Agreement by and between JPI Pharmaceutica International, Janssen Pharmaceutica Inc. and Alkermes Controlled Therapeutics Inc. II, dated December 22, 2003 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.8 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.8(f)	Fourth Amendment To Manufacturing and Supply Agreement by and between JPI Pharmaceutica International, Janssen Pharmaceutica Inc. and Alkermes Controlled Therapeutics Inc. II, dated January 10, 2005 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.9 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.9	Agreement by and between JPI Pharmaceutica International, Janssen Pharmaceutica Inc. and Alkermes Controlled Therapeutics Inc. II, dated December 21, 2002 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.6 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.9(a)	Amendment to Agreement by and between JPI Pharmaceutica International, Janssen Pharmaceutica Inc. and Alkermes Controlled Therapeutics Inc. II, dated December 16, 2003 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.7 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.10	Patent License Agreement, dated as of August 11, 1997, between Massachusetts Institute of Technology and Advanced Inhalation Research, Inc. (assigned to Alkermes, Inc. in March 2007), as amended. (Incorporated by reference to Exhibit 10.25 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1999 (File No. 001-14131).)**
10.11	Employment agreement, dated as of December 12, 2007, by and between Richard F. Pops and the Registrant. (Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2007.)+
10.11(a)	Amendment to Employment Agreement by and between Alkermes, Inc. and Richard F. Pops. (Incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.12	Employment agreement, dated as of December 12, 2007, by and between David A. Broecker and the Registrant. (Incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2007.)+

Exhibit No.	
10.12(a)	Amendment to Employment Agreement by and between Alkermes, Inc. and David A. Broecker. (Incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.13	Form of Employment Agreement, dated as of December 12, 2007, by and between the Registrant and each of Kathryn L. Biberstein, Elliot W. Ehrich, M.D., James M. Frates, Michael J. Landine, Gordon G. Pugh. (Incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2007.)+
10.13(a)	Form of Amendment to Employment Agreement by and between Alkermes, Inc. and each of each of Kathryn L. Biberstein, Elliot W. Ehrich, M.D., James M. Frates, Michael J. Landine, Gordon G. Pugh. (Incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.14	Form of Covenant Not to Compete, of various dates, by and between the Registrant and each of Kathryn L. Biberstein and James M. Frates. (Incorporated by reference to Exhibit 10.15 to the Registrant's Report on Form 10-K for the year ended March 31, 2007.)+
10.14(a)	Form of Covenant Not to Compete, of various dates, by and between the Registrant and each of Elliot W. Ehrich, M.D., Michael J. Landine, and Gordon G. Pugh. (Incorporated by reference to Exhibit 10.15(a) to the Registrant's Report on Form 10-K for the year ended March 31, 2007.)+
10.15	License and Collaboration Agreement between Alkermes, Inc. and Cephalon, Inc. dated as of June 23, 2005. (Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 2005.)*****
10.15(a)	Supply Agreement between Alkermes, Inc. and Cephalon, Inc. dated as of June 23, 2005. (Incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 2005.)*****
10.15(b)	Amendment to the License and Collaboration Agreement between Alkermes, Inc. and Cephalon, Inc. dated as of December 21, 2006. (Incorporated by reference to Exhibit 10.16(b) to the Registrant's Report on Form 10-K for the year ended March 31, 2007.)******
10.15(c)	Amendment to the Supply Agreement between Alkermes, Inc. and Cephalon, Inc. dated as of December 21, 2006. (Incorporated by reference to Exhibit 10.16(c) to the Registrant's Report on Form 10-K for the year ended March 31, 2007.)******
10.16	Accelerated Share Repurchase Agreement, dated as of February 7, 2008, between Morgan Stanley & Co. Incorporated and Alkermes, Inc. (Incorporated by reference to Exhibit 10.17 to the Registrant's Report on Form 10-K for the year ended March 31, 2008.)
10.17	Alkermes, Inc. 1998 Equity Incentive Plan as Amended and Approved on November 2, 2006. (Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the fiscal quarter ended December 31, 2006.)+
10.17(a)	Form of Stock Option Certificate pursuant to Alkermes, Inc. 1998 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.37 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2006.)+
10.18	Alkermes, Inc. Amended and Restated 1999 Stock Option Plan. (Incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Form DEF 14/A filed on July 27, 2007.)+
10.18(a)	Form of Incentive Stock Option Certificate pursuant to the 1999 Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.35 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2006.)+
10.18(b)	Form of Non-Qualified Stock Option Certificate pursuant to the 1999 Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.36 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2006.)+
10.19	Alkermes, Inc. 2002 Restricted Stock Award Plan as Amended and Approved on November 2, 2006. (Incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 10-Q for the fiscal quarter ended December 31, 2006.)+

Exhibit No.	
10.19(a)	Amendment to Alkermes, Inc. 2002 Restricted Stock Award Plan. (Incorporated by reference to Appendix B to the Registrant's Definitive Proxy Statement on Form DEF 14/A filed on July 27, 2007.)+
10.20	2006 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.4 to the Registrant's Report on Form 10-Q for the fiscal quarter ended September 30, 2006.)+
10.20(a)	Amendment to 2006 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix C to the Registrant's Definitive Proxy Statement on Form DEF 14/A filed on July 27, 2007.)+
10.21	Alkermes Fiscal 2008 Named-Executive Bonus Plan. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 26, 2007.)+
10.22	Alkermes Fiscal Year 2009 Reporting Officer Performance Pay Plan. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 16, 2008.)+
10.23	Alkermes, Inc., 2008 Stock Option and Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.23(a)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Stock Option Award Certificate (Incentive Stock Option) (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.23(b)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Stock Option Award Certificate (Non-Qualified Option) (Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.23(c)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Stock Option Award Certificate (Non-Employee Director) (Incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.23(d)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Restricted Stock Unit Award Certificate (Time Vesting Only). (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 22, 2009.)+
10.23(e)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Restricted Stock Unit Award Certificate (Performance Vesting Only). (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 22, 2009.)+
21.1	Subsidiaries of the Registrant.#
23.1	Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP.#
23.2	Consent of Independent Registered Public Accounting Firm Deloitte & Touche LLP.#
24.1	Power of Attorney (included on signature pages).#
31.1	Rule 13a-14(a)/15d-14(a) Certification.#
31.2	Rule 13a-14(a)/15d-14(a) Certification.#
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.#

* Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted September 3, 1996. Such provisions have been filed separately with the Commission.

** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted August 19, 1999. Such provisions have been filed separately with the Commission.

*** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted September 16, 2002. Such provisions have been separately filed with the Commission.

**** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted September 26, 2005. Such provisions have been filed separately with the Commission.

***** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted July 31, 2006. Such provisions have been filed separately with the Commission.

****** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted April 15, 2008. Such provisions have been filed separately with the Commission.

\+ Indicates a management contract or any compensatory plan, contract or arrangement.

\# Filed herewith.

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.

ALKERMES, INC.

By: /s/ David A. Broecker
David A. Broecker
President and Chief Executive Officer

May 28, 2009

POWER OF ATTORNEY

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 and on the dates indicated.

Each person whose signature appears below in so signing also makes, constitutes and appoints David A. Broecker and James M. Frates, and each of them, his true and lawful attorney-in-fact, with full power of substitution, for him in any and all capacities, to execute and cause to be filed with the Securities and Exchange Commission any and all amendments to this Form 10-K, with exhibits thereto and other documents in connection therewith, and hereby ratifies and confirms all that said attorney-in-fact or his substitute or substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ David A. Broecker David A. Broecker	President and Chief Executive Officer and Director (Principal Executive Officer)	May 28, 2009
/s/ James M. Frates James M. Frates	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	May 28, 2009
/s/ Richard F. Pops Richard F. Pops	Director and Chairman of the Board	May 28, 2009
/s/ David W. Anstice David W. Anstice	Director	May 28, 2009
/s/ Floyd E. Bloom Floyd E. Bloom	Director	May 28, 2009
/s/ Robert A. Breyer Robert A. Breyer	Director	May 28, 2009

/s/ Gerri Henwood	Director	May 28, 2009
Gerri Henwood		

Signature	Title	Date
/s/ Paul J. Mitchell Paul J. Mitchell	Director	May 28, 2009
/s/ Alexander Rich Alexander Rich	Director	May 28, 2009
/s/ Mark B. Skaletsky Mark B. Skaletsky	Director	May 28, 2009
/s/ Michael A. Wall Michael A. Wall	Director and Chairman Emeritus	May 28, 2009

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Alkermes, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Alkermes, Inc. and its subsidiaries at March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
May 28, 2009

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Alkermes, Inc.
Cambridge, Massachusetts

We have audited the accompanying consolidated statements of income and comprehensive income, shareholders' equity, and cash flows of Alkermes, Inc. and subsidiaries (the "Company") for the year ended March 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Alkermes, Inc. and subsidiaries for the year ended March 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for share-based payments upon the adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, effective April 1, 2006.

/s/ Deloitte and Touche LLP

Boston, Massachusetts
June 14, 2007

ALKERMES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
March 31, 2009 and 2008

	2009	2008
	(In thousands, except share and per share amounts)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 86,893	$ 101,241
Investments — short-term	236,768	240,064
Receivables	24,588	47,249
Inventory	20,297	18,884
Prepaid expenses and other current assets	7,500	5,720
Total current assets	376,046	413,158
PROPERTY, PLANT AND EQUIPMENT, NET	106,461	112,539
INVESTMENTS — LONG-TERM	80,821	119,056
OTHER ASSETS	3,158	11,558
TOTAL ASSETS	$ 566,486	$ 656,311
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 36,483	$ 36,046
Unearned milestone revenue — current	—	5,927
Deferred revenue — current	6,840	—
Long-term debt — current	25,667	47
Total current liabilities	68,990	42,020
NON-RECOURSE RISPERDAL CONSTA SECURED 7% NOTES — LONG-TERM	50,221	160,324
UNEARNED MILESTONE REVENUE — LONG-TERM	—	111,730
DEFERRED REVENUE — LONG-TERM	5,238	27,837
OTHER LONG-TERM LIABILITIES	7,149	9,086
TOTAL LIABILITIES	131,598	350,997
COMMITMENTS AND CONTINGENCIES (Note 15)		
SHAREHOLDERS' EQUITY:		
Capital stock, par value, $0.01 per share; 4,550,000 shares authorized (includes 3,000,000 shares of preferred stock); none issued	—	—
Common stock, par value, $0.01 per share; 160,000,000 shares authorized; 104,044,663 and 102,977,348 shares issued; 94,536,212 and 95,099,166 shares outstanding at March 31, 2009 and 2008, respectively	1,040	1,030
Non-voting common stock, par value, $0.01 per share; 450,000 shares authorized; 382,632 shares issued and outstanding at March 31, 2009 and 2008	4	4
Treasury stock, at cost (9,508,451 and 7,878,182 shares at March 31, 2009 and 2008, respectively)	(126,025)	(107,322)
Additional paid-in capital	892,415	869,695
Accumulated other comprehensive loss	(6,484)	(1,526)
Accumulated deficit	(326,062)	(456,567)
TOTAL SHAREHOLDERS' EQUITY	434,888	305,314
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 566,486	$ 656,311

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

ALKERMES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Years Ended March 31, 2009, 2008 and 2007

	2009	2008	2007
	(In thousands, except per share amounts)		
REVENUES:			
Manufacturing revenues	$ 116,844	$ 101,700	$ 105,416
Royalty revenues	33,247	29,457	23,151
Product sales, net	4,467	—	—
Research and development revenue under collaborative arrangements	42,087	89,510	74,483
Net collaborative profit	130,194	20,050	36,915
Total revenues	326,839	240,717	239,965
EXPENSES:			
Cost of goods manufactured and sold	43,396	40,677	45,209
Research and development	89,478	125,268	117,315
Selling, general and administrative	59,008	59,508	66,399
Impairment of long-lived assets	—	11,630	—
Restructuring	—	6,423	—
Total expenses	191,882	243,506	228,923
OPERATING INCOME (LOSS)	134,957	(2,789)	11,042
OTHER (EXPENSE) INCOME:			
Interest income	11,400	17,834	17,707
Interest expense	(13,756)	(16,370)	(17,725)
Gain on sale of investment in Reliant Pharmaceuticals, Inc.	—	174,631	—
Other expense, net	(1,589)	(476)	(481)
Total other (expense) income, net	(3,945)	175,619	(499)
INCOME BEFORE INCOME TAXES	131,012	172,830	10,543
PROVISION FOR INCOME TAXES	507	5,851	1,098
NET INCOME	$ 130,505	$ 166,979	$ 9,445
EARNINGS PER COMMON SHARE:			
BASIC	$ 1.37	$ 1.66	$ 0.10
DILUTED	$ 1.36	$ 1.62	$ 0.09
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:			
BASIC	95,161	100,742	99,242
DILUTED	96,252	102,923	103,351
COMPREHENSIVE INCOME:			
Net income	$ 130,505	$ 166,979	$ 9,445
Unrealized losses on marketable securities:			
Holding losses	(6,153)	(3,849)	(1,054)
Less: Reclassification adjustment for losses included in net income	1,195	1,570	743
Unrealized losses on marketable securities	(4,958)	(2,279)	(311)
TOTAL COMPREHENSIVE INCOME	$ 125,547	$ 164,700	$ 9,134

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

ALKERMES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended March 31, 2009, 2008 and 2007

	Common Stock		Non-voting Common Stock		Additional Paid-In	Deferred	Accumulated Other Comprehensive (Loss) Income		Accumulated	Treasury Stock		
	Shares	Amount	Shares	Amount	Capital	Compensation	Foreign Currency Translation Adjustments	Unrealized Gain/(Loss) on Marketable Securities	Deficit	Shares	Amount	Total
						(In thousands, except share data)						
BALANCE — April 1, 2006	91,744,680	$ 917	382,632	$ 4	$ 664,596	$ (374)	$ (142)	$ 1,206	$ (632,991)	—	$ —	$ 33,216
Issuance of common stock upon exercise of options or vesting of restricted stock units	780,722	8	—	—	7,539	—	—	—	—	—	—	7,547
Elimination of deferred compensation with the adoption of SFAS No. 123(R)	—	—	—	—	(374)	374	—	—	—	—	—	—
Conversion of 2.5% convertible subordinated notes into common stock	9,025,271	90	—	—	124,312	—	—	—	—	—	—	124,402
Elimination of deferred financing costs on 2.5% convertible subordinated notes	—	—	—	—	(1,751)	—	—	—	—	—	—	(1,751)
Redemption of redeemable convertible preferred stock	—	—	—	—	15,000	—	—	—	—	—	—	15,000
Repurchase of common stock for treasury, at cost	—	—	—	—	—	—	—	—	—	(823,677)	(12,492)	(12,492)
Share-based compensation	—	—	—	—	28,249	—	—	—	—	—	—	28,249
Excess tax benefit from share-based compensation	—	—	—	—	156	—	—	—	—	—	—	156
Unrealized loss on marketable securities	—	—	—	—	—	—	—	(311)	—	—	—	(311)
Net income	—	—	—	—	—	—	—	—	9,445	—	—	9,445
BALANCE — March 31, 2007	101,550,673	$ 1,015	382,632	$ 4	$ 837,727	$ —	$ (142)	$ 895	$ (623,546)	(823,677)	$ (12,492)	$ 203,461
Issuance of common stock upon exercise of options or vesting of restricted stock units	1,426,675	15	—	—	11,144	—	—	—	—	—	—	11,159
Receipt of Alkermes' stock for the purchase of stock options or to satisfy minimum tax withholding obligations related to stock based awards	—	—	—	—	1,480	—	—	—	—	(85,769)	(1,480)	—
Repurchase of common stock for treasury, at cost	—	—	—	—	—	—	—	—	—	(6,968,736)	(93,350)	(93,350)
Share-based compensation	—	—	—	—	19,222	—	—	—	—	—	—	19,222
Excess tax benefit from share-based compensation	—	—	—	—	122	—	—	—	—	—	—	122
Unrealized loss on marketable securities	—	—	—	—	—	—	—	(2,279)	—	—	—	(2,279)
Net income	—	—	—	—	—	—	—	—	166,979	—	—	166,979
BALANCE — March 31, 2008	102,977,348	$ 1,030	382,632	$ 4	$ 869,695	$ —	$ (142)	$ (1,384)	$ (456,567)	(7,878,182)	$ (107,322)	$ 305,314
Issuance of common stock upon exercise of options or vesting of restricted stock units	1,067,315	10	—	—	7,049	—	—	—	—	—	—	7,059
Receipt of Alkermes' stock for the purchase of stock options or to satisfy minimum tax withholding obligations related to stock based awards	—	—	—	—	707	—	—	—	—	(61,067)	(707)	—
Repurchase of common stock for treasury, at cost	—	—	—	—	—	—	—	—	—	(1,569,202)	(17,996)	(17,996)
Share-based compensation	—	—	—	—	14,884	—	—	—	—	—	—	14,884
Excess tax benefit from share-based compensation	—	—	—	—	80	—	—	—	—	—	—	80
Unrealized loss on marketable securities	—	—	—	—	—	—	—	(4,958)	—	—	—	(4,958)
Net income	—	—	—	—	—	—	—	—	130,505	—	—	130,505
BALANCE — March 31, 2009	104,044,663	$ 1,040	382,632	$ 4	$ 892,415	$ —	$ (142)	$ (6,342)	$ (326,062)	(9,508,451)	$ (126,025)	$ 434,888

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

ALKERMES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2009, 2008 and 2007

	2009	2008	2007
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 130,505	$ 166,979	$ 9,445
Adjustments to reconcile net income to cash flows from operating activities:			
Share-based compensation expense	14,810	19,445	27,687
Depreciation	10,265	12,138	11,991
Impairment of long-lived assets	—	11,630	—
Gain on sale of investments in Reliant Pharmaceuticals, Inc.	—	(174,631)	—
Realized losses on investments	1,195	1,570	743
Loss on purchase of non-recourse RISPERDAL CONSTA secured 7% Notes	2,512	—	—
Other non-cash charges	4,283	3,732	3,253
Changes in assets and liabilities:			
Receivables	13,710	15,041	(13,537)
Inventory, prepaid expenses and other assets	(5,140)	(1,450)	(12,240)
Accounts payable and accrued expenses	2,014	(8,033)	7,574
Unearned milestone revenue	(117,657)	(11,093)	29,214
Deferred revenue	(14,525)	6,961	18,694
Other long-term liabilities	(1,366)	135	649
Purchase of non-recourse RISPERDAL CONSTA secured 7% notes attributable to original issue discount	(6,016)	—	—
Cash flows provided by operating activities	34,590	42,424	83,473
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(5,502)	(21,890)	(36,305)
Proceeds from the sale of equipment	7,717	—	12,571
Proceeds from the sale of investment in Reliant Pharmaceuticals, Inc.	7,766	166,865	—
Purchases of investments	(609,741)	(639,582)	(329,234)
Sales and maturities of investments	645,120	556,572	322,989
Cash flows provided by (used-in) investing activities	45,360	61,965	(29,979)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issuance of common stock for share-based compensation arrangements	7,059	11,159	7,547
Excess tax benefit from share-based compensation	80	122	156
Payment of debt and capital leases	(47)	(1,579)	(1,783)
Purchase of non-recourse RISPERDAL CONSTA secured 7% notes	(83,394)	—	—
Purchase of common stock for treasury	(17,996)	(93,350)	(12,492)
Cash flows used-in financing activities	(94,298)	(83,648)	(6,572)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,348)	20,741	46,922
CASH AND CASH EQUIVALENTS — Beginning of period	101,241	80,500	33,578
CASH AND CASH EQUIVALENTS — End of period	$ 86,893	$ 101,241	$ 80,500
SUPPLEMENTAL CASH FLOW DISCLOSURE:			
Cash paid for interest	$ 15,342	$ 12,002	$ 13,647
Cash paid for taxes	$ 860	$ 5,300	$ 1,051
Non-cash investing and financing activities:			
Conversion of 2.5% convertible subordinated notes into common stock	$ —	$ —	$ 125,000
Redemption of redeemable convertible preferred stock	$ —	$ —	$ 15,000
Purchased capital expenditures included in accounts payable and accrued expenses	$ (1,299)	$ (663)	$ (1,321)
Sales of property, plant and equipment included in receivables	$ —	$ 7,717	$ —
Net share exercise of warrants into common stock of the issuer	$ —	$ 2,994	$ —
Receipt of Alkermes shares for the purchase of stock options or to satisfy minimum tax withholding obligations related to stock based awards	$ 707	$ 1,480	$ —
Funds held in escrow for the sale of investment in Reliant Pharmaceuticals, Inc.	$ —	$ 7,766	$ —

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

ALKERMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

Alkermes, Inc. (as used in this section, together with its subsidiaries, "Alkermes" or the "Company") is a fully integrated biotechnology company committed to developing innovative medicines to improve patients' lives. The Company developed, manufactures and commercializes VIVITROL® for alcohol dependence and manufactures RISPERDAL® CONSTA® for schizophrenia. The Company's robust pipeline includes extended-release injectable, pulmonary and oral products for the treatment of prevalent, chronic diseases, such as central nervous system disorders, addiction and diabetes. The Company has research facilities in Massachusetts and a commercial manufacturing facility in Ohio. In April 2009, the Company announced that it will move its corporate headquarters from Cambridge, Massachusetts, to Waltham, Massachusetts in early calendar 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Alkermes, Inc. and its wholly-owned subsidiaries: Alkermes Controlled Therapeutics, Inc. ("ACT I"); Alkermes Europe, Ltd. and RC Royalty Sub LLC ("Royalty Sub"). The assets of Royalty Sub are not available to satisfy obligations of Alkermes and its subsidiaries, other than the obligations of Royalty Sub including Royalty Sub's non-recourse RISPERDAL CONSTA secured 7% notes (the "7% Notes"), and the assets of Alkermes are not available to satisfy obligations of Royalty Sub. Intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") necessarily requires management to make estimates and assumptions that affect the following: (1) reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company values its cash and cash equivalents at cost plus accrued interest, which the Company believes approximates their market value. The Company considers only those investments which are highly liquid, readily convertible into cash and that mature within three months from the date of purchase to be cash equivalents.

Investments

The Company invests in various types of securities including United States ("U.S.") government and agency obligations, corporate debt securities and other debt securities including student loan backed auction rate securities and asset backed debt securities. The Company also has strategic investments which include the common stock and warrants of companies the Company does or did have a collaborative arrangement with. The Company places substantially all of its interest-bearing investments with major financial institutions and in accordance with documented corporate policies, the Company limits the amount of credit exposure to any one financial institution or corporate issuer. At March 31, 2009, substantially all these investments are classified as available-for-sale and are recorded at fair value. Holding gains and losses on these investments are considered "unrealized" and are reported within accumulated other comprehensive income, a component of shareholders' equity. The Company's held-to-maturity investments are restricted investments held as

collateral under certain letters of credit related to the Company's lease agreements and are recorded at amortized cost as "Investments — Long-Term" in the consolidated balance sheets.

Declines in value judged to be other-than-temporary on available-for-sale securities are charged to the statement of income and reported in other (expense) income, net. Valuation of available-for-sale securities for purposes of determining the amount of gains and losses is based on the specific identification method. The Company reviews its investments for impairment in accordance with the Financial Accounting Standard Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 115, *"Accounting for Certain Investments in Debt and Equity Securities,"* the SEC's Staff Accounting Bulletin ("SAB") Topic 5, *"Miscellaneous Accounting"* and FASB Staff Position ("FSP") FAS No. 115-1 and FSP FAS No. 124- 1, *"The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,"* to determine if a decline in the fair value of an investment is temporary or other-than-temporary. In making this determination, the Company reviews several factors to determine whether losses are other-than-temporary, including, but not limited to: i) the length of time each security was in an unrealized loss position; ii) the extent to which fair value was less than cost; iii) the financial condition and near term prospects of the issuer or insurer; and iv) the Company's intent and ability to hold each security for a period of time sufficient to allow for any anticipated recovery in fair value.

Fair Value of Financial Instruments

Effective April 1, 2008, the Company implemented SFAS No. 157, "*Fair Value Measurements*" ("SFAS No. 157") for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period. The adoption of SFAS No. 157 did not have a material impact on the Company's financial position and results of operations. In accordance with the provisions of FASB Staff Position FAS 157-2, "Effective *Date of FASB Statement No. 157*" ("FSP FAS 157-2"), the Company has elected to defer implementation of SFAS No. 157 as it relates to non-financial assets and non-financial liabilities that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis until April 1, 2009. The Company does not expect the adoption of this standard to have a significant impact on its consolidated financial statements.

SFAS No. 157 provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, SFAS No. 157 permits the use of various valuation approaches, including market, income and cost approaches. SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. In October 2008, the FASB issued FASB Staff Position FAS 157-3 *"Determining the Fair Value of a Financial Asset When the Market for that Asset is not Active"* ("FSP FAS 157-3"). FSP FAS 157-3 clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 was effective for the Company's condensed consolidated financial statements for the quarter ended September 30, 2008. The adoption of this standard did not have a material impact on the consolidated financial statements.

The fair value hierarchy is broken down into three levels based on the reliability of inputs. The Company has categorized its financial assets and liabilities consisting primarily of cash equivalents and investments within the hierarchy as follows:

Level 1 — These valuations are based on a market approach using quoted prices in active markets for identical assets. Valuations of these products do not require a significant degree of judgment. Assets utilizing Level 1 inputs include investments in money market funds, U.S. government and agency debt securities, bank

deposits and our strategic investments, which include the common stock of companies which we have or did have a collaborative agreement with;

Level 2 — These valuations are based on a market approach using quoted prices obtained from brokers or dealers for similar securities or for securities for which we have limited visibility into their trading volumes. Valuations of these financial instruments do not require a significant degree of judgment. At March 31, 2009, the Company did not have any financial instruments utilizing Level 2 inputs; and

Level 3 — These valuations are based on an income approach using certain inputs that are unobservable and are significant to the overall fair value measurement. Valuations of these products require a significant degree of judgment. Assets utilizing Level 3 inputs consist of certain of the Company's investment in corporate debt securities and other debt securities including auction rate securities and asset backed debt securities that are not currently trading. In addition, the Company holds warrants to purchase the common stock of a former collaborator that is classified using Level 3 inputs. The carrying value of the warrants was immaterial at March 31, 2009 and 2008.

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses approximate fair value due to their short-term nature. The following table sets forth the carrying values and estimated fair values of the Company's debt instruments, which are not re-measured and reported at fair value at March 31:

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
7% Notes	$ 75,888	$ 74,690	$ 160,324	$ 153,000
Obligation under capital lease	—	—	47	47

The estimated fair value of the 7% Notes was based on quoted market price indications. The estimated fair values of the obligation under capital lease were based on prevailing interest rates or rates of return on similar instruments.

Inventory

Inventory is stated at the lower of cost or market value. Cost is determined using the first-in, first-out method. Included in inventory are raw materials used in production of pre-clinical and clinical products, which have alternative future use and are charged to research and development expense when consumed. VIVITROL inventory that is held at our third-party logistics provider and that is in the sales distribution channel is classified as "consigned-out inventory."

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Expenditures for repairs and maintenance are charged to expense as incurred and major renewals and improvements are capitalized. Depreciation is generally calculated using the straight-line method over the following estimated useful lives of the assets:

Asset group	Term
Buildings	25 years
Furniture, fixtures and equipment	3 - 7 years
Leasehold improvements	Shorter of useful life or lease term (1 - 20 years)

Impairment of Long-Lived Assets

In accordance with SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* ("SFAS No. 144"), long-lived assets to be held and used, including property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written-down to their estimated fair values. Long-lived assets to be disposed of are carried at fair value less costs to sell.

Asset Retirement Obligations

In accordance with SFAS No. 143, *"Accounting for Asset Retirement Obligations"* ("SFAS No. 143"), as interpreted by FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* ("FIN No. 47"), the Company has recognized an asset retirement obligation for an obligation to remove leasehold improvements and other related activities at the conclusion of the Company's lease for its AIR® manufacturing facility located in Chelsea, Massachusetts.

The carrying amount of the asset retirement obligation at March 31, 2009 and 2008, was $1.4 million and $1.3 million, respectively, and is included within "Other Long-Term Liabilities" in the accompanying consolidated balance sheets. The following table shows changes in the carrying amount of the Company's asset retirement obligation for the years ended March 31, 2009 and 2008:

	Carrying Amount (In thousands)
Balance, April 1, 2007	$ 864
Accretion expense	87
Revisions in estimated cash flows	316
Balance, March 31, 2008	1,267
Accretion expense	130
Balance, March 31, 2009	$ 1,397

Revenue Recognition

Manufacturing revenues — The Company recognizes manufacturing revenues from the sale of RISPERDAL CONSTA to Janssen Pharmaceutica, Inc., a division of Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica International, a division of Cilag International (together, "Janssen"), and on the sale of VIVITROL to Cilag GmbH International ("Cilag"), an affiliate of Janssen, and Cephalon, Inc. ("Cephalon") prior to the termination of the collaboration on December 1, 2008.

Manufacturing revenues are recognized in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB 101"), as amended by SEC Staff Accounting Bulletin No. 104, *Revenue Recognition* ("SAB 104"). Specifically, manufacturing revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred and title to the product and associated risk of loss has passed to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. Manufacturing revenues recognized by the Company for RISPERDAL

CONSTA are based on information supplied to the Company by Janssen and require estimates to be made. Differences between the actual manufacturing revenues and estimated manufacturing revenues are reconciled and adjusted for in the period in which they become known. Historically, adjustments have not been material based on actual amounts paid by Janssen.

Prior to December 1, 2008, the Company manufactured and sold VIVITROL exclusively to Cephalon for sale of the product in the U.S. under certain manufacturing and supply arrangements (see *Revenue Recognition — Net Collaborative Profit*). The Company recorded manufacturing revenues upon shipment of the product to Cephalon at cost plus a manufacturing profit of 10%. The Company records manufacturing revenues under its agreement with Cilag upon shipment of the product at an agreed upon price. Cilag has a license to resell VIVITROL in Russia and the other countries in the Commonwealth of Independent States ("CIS").

Royalty revenue — The Company receives royalties related to the sale of RISPERDAL CONSTA under certain license arrangements with Janssen. The Company receives royalties related to the sale of VIVITROL in Russia under a license arrangement with Cilag. Royalty revenues are earned in the period the products are sold by Janssen and Cilag.

Product sales, net — The Company's product sales consist of sales of VIVITROL in the U.S. primarily to wholesalers, specialty distributors and specialty pharmacies made after the termination of the VIVITROL collaboration with Cephalon. Product sales are recognized from the sale of VIVITROL when persuasive evidence of an arrangement exists, title to the product and associated risk of loss has passed to the customer, which is considered to have occurred when the product has been received by the customer, the sales price is fixed or determinable and collectibility is reasonably assured. In accordance with SFAS No. 48, *"Revenue Recognition When Right of Return Exists"* ("SFAS No. 48"), the Company does not recognize product sales on VIVITROL shipments until it can reasonably estimate returns related to these shipments. The Company defers the recognition of product sales on shipments of VIVITROL to its customers until the product has left the distribution channel. The Company estimates product shipments out of the distribution channel through data provided by external sources, including information on inventory levels provided by its customers in the distribution channel, as well as prescription information. In order to match the cost of goods sold related to products shipped to customers with the associated revenue, the Company defers the recognition of the cost of goods sold to the period in which the associated revenue is recognized.

The Company records estimated payment term discounts, fee-for-service discounts, rebates payable under governmental and managed care programs and other discounts as a reduction of product sales at the time VIVITROL product sales are recorded. The Company's calculations related to its sales discount and allowance accruals require estimates to be made. The Company updates its estimates and assumptions each period and records any necessary adjustments.

Research and development revenue under collaborative arrangements — Research and development revenue under collaborative arrangements consists of nonrefundable research and development funding under collaborative arrangements with various collaborative partners. Research and development funding generally compensates the Company for formulation, preclinical and clinical testing related to the collaborative research programs. The Company generally bills its partners under collaborative arrangements using a single full-time equivalent ("FTE") or hourly rate. This rate is established by the Company based on its annual budget of employee compensation, employee benefits and billable non-project-specific costs and is generally increased annually based on increases in the consumer price index. Each collaborative partner is billed using a FTE or hourly rate for the hours worked by the Company's employees on a particular project, plus any direct external costs, if any.

The Company recognizes research and development revenue under collaborative arrangements over the term of the applicable agreements through the application of a proportional performance model where revenue is recognized equal to the lesser of the amount due under the agreements or the amount based on the

proportional performance to date. The Company recognizes nonrefundable payments and fees for the licensing of technology or intellectual property rights over the related performance period or when there are no remaining performance obligations. Nonrefundable payments and fees are recorded as deferred revenue upon receipt and may require deferral of revenue recognition to future periods.

Multiple element arrangements — The Company evaluates revenue from arrangements that have multiple elements to determine whether the components of the arrangement represent separate units of accounting as defined in the FASB's Emerging Issues Task Force ("EITF") Issue No. 00-21, *"Revenue Arrangements with Multiple Deliverables"* ("EITF No. 00-21"). To recognize a delivered item in a multiple element arrangement, EITF No. 00-21 requires that the delivered items have value to the customer on a stand-alone basis, that there is objective and reliable evidence of fair value of the undelivered items and that it is within the Company's control for any delivered items that have a right of return.

Net collaborative profit — The Company's revenue recognition policy related to the License and Collaboration Agreement and Supply Agreement (together, the "Agreements") entered into in June 2005 for sale of VIVITROL in the U.S., later amended in October 2006 (the "Amendments") entered into with Cephalon, Inc. ("Cephalon") complies with the SEC's SAB 101, SAB 104 and EITF No. 00-21. For purposes of revenue recognition, the deliverables under these Agreements are generally separated into three units of accounting: (i) net losses on the products; (ii) manufacturing of the products; and (iii) the product license.

Under the terms of the Agreements and Amendments, the Company was responsible for the first $124.6 million of net VIVITROL losses through December 31, 2007 (the "cumulative net loss cap"). Net VIVITROL losses excluded development costs incurred by the Company to obtain U.S. Food and Drug Administration ("FDA") approval of VIVITROL and costs incurred by the Company to complete the first VIVITROL manufacturing line, both of which were the Company's sole responsibility. Cephalon was responsible to pay all net VIVITROL losses in excess of the cumulative net loss cap through December 31, 2007. After December 31, 2007, all net VIVITROL losses were divided between the Company and Cephalon in approximately equal shares.

Cephalon recorded net sales from VIVITROL in the U.S. The Company and Cephalon reconciled the costs incurred by each party to develop, commercialize and manufacture VIVITROL against revenues earned to determine net losses in each reporting period. To the extent that the cash earned or expended by either of the parties exceeded or was less than its proportional share of net loss for a period, the parties settled by delivering cash such that the net cash earned or expended equals each party's proportional share. The cash flow between the companies related to the Company's share of net VIVITROL losses was recorded in the period in which it was earned as "Net collaborative profit" in the consolidated statements of income and comprehensive income.

The costs incurred by the Company and Cephalon with respect to the development and commercialization of VIVITROL which were charged into the collaboration, included employee time, which was billed to the collaboration at negotiated FTE rates and external expenses incurred by the parties with respect to VIVITROL. FTE rates varied depending on the nature of the activity performed (such as development and sales) and were intended to approximate the Company's actual costs. Cost of goods sold related to VIVITROL was based on a fully burdened manufacturing cost, determined in accordance with GAAP.

The nonrefundable payments of $160.0 million and $110.0 million the Company received from Cephalon in June 2005 and April 2006, respectively, and the $4.6 million payment the Company received from Cephalon in December 2006, pursuant to the Amendments, was deemed to be arrangement consideration in accordance with EITF No. 00-21. This arrangement consideration was allocated to each of the accounting units noted above based on the fair value of each unit as determined at the date the consideration was received. The arrangement consideration was recorded in the consolidated balance sheets as "Unearned milestone revenue — current portion" and "Unearned milestone revenue — long-term portion" prior to being

earned. The classification between the current and long-term portions was based on the Company's best estimate of whether the milestone revenue would be recognized during or after the 12-month period following the reporting period, respectively.

Under the Amendments, the parties agreed that Cephalon would purchase from the Company two VIVITROL manufacturing lines (and related equipment) under construction. Amounts the Company received from Cephalon for the sale of the two VIVITROL manufacturing lines were recorded as "Deferred revenue — long-term portion" in the consolidated balance sheets.

Under the terms of the Agreements, the Company was responsible for the manufacture of clinical and commercial supplies of VIVITROL for sale in the U.S. and the Company granted Cephalon a co-exclusive license to the Company's patents and know-how necessary to use, sell, offer for sale and import the products for all current and future indications in the U.S. The Company recorded the earned portion of the arrangement consideration allocated to the manufacturing of the products at cost when the product was shipped to Cephalon. The Company recorded the earned portion of the arrangement consideration allocated to the product license to revenue on a straight-line basis over the expected life of VIVITROL, being ten years.

As discussed in Note 13, *Collaborative Arrangements*, the Company and Cephalon agreed to end the VIVITROL collaboration, effective December 1, 2008 (the "Termination Date"). In connection with the termination of the collaboration, the Company recognized $120.7 million of net collaborative profit, consisting of $113.9 million of unearned milestone revenue and $6.8 million of deferred revenue remaining at the Termination Date. At the Termination Date, the Company had $22.8 million of deferred revenue related to the original sale of the two partially completed VIVITROL manufacturing lines to Cephalon. The Company paid Cephalon $16.0 million to reacquire the title to these manufacturing lines and accounted for the payment as a reduction to the deferred revenue previously recorded. The remaining $6.8 million of deferred revenue and the $113.9 million of unearned milestone revenue were recognized in the three months ended December 31, 2008, through net collaborative profit, as the Company had no remaining performance obligations to Cephalon beyond the Termination Date and the amounts were nonrefundable to Cephalon. The Company received $11.0 million from Cephalon as payment to fund its share of estimated VIVITROL product losses during the one-year period following the Termination Date and the Company is recognizing this payment as net collaborative profit through the application of a proportional performance model based on VIVITROL net product losses.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable and marketable securities. Large pharmaceutical companies account for the majority of the Company's accounts receivable and collateral is generally not required from these customers. To mitigate credit risk, the Company monitors the financial performance and credit worthiness of its customers.

The following represents revenue and receivables from the Company's customers exceeding 10% of the total in each category as of and for the year ended March 31:

Customer	2009		2008		2007	
	Receivables	Revenue	Receivables	Revenue	Receivables	Revenue
Janssen	84%	46%	33%	52%	35%	47%
Cephalon	15%	41%	5%	11%	14%	24%
Eli Lilly and Company	—	8%	30%	23%	33%	20%
Amylin Pharmaceuticals, Inc.	1%	3%	31%	14%	18%	1%

Shipping and Handling Costs

Shipping and handling costs incurred for product shipments are included in cost of goods sold in the accompanying consolidated statements of income and comprehensive income.

Research and Development Expenses

The Company's research and development expenses include employee compensation, including share-based compensation expense and related benefits, laboratory supplies, temporary help costs, external research costs, consulting costs, occupancy costs, depreciation expense and other allocable costs directly related to the Company's research and development activities. Research and development expenses are incurred in conjunction with the development of the Company's technologies, proprietary product candidates, collaborators' product candidates and in-licensing arrangements. External research costs relate to toxicology studies, pharmacokinetic studies and clinical trials that are performed for the Company under contract by external companies, hospitals or medical centers. A significant portion of the Company's research and development expenses (including laboratory supplies, travel, dues and subscriptions, recruiting costs, temporary help costs, consulting costs and allocable costs such as occupancy and depreciation) are not tracked by project as they benefit multiple projects or the Company's technologies in general. Expenses incurred to purchase specific services from third parties to support the Company's collaborative research and development activities are tracked by project and are reimbursed to the Company by its partners. The Company accounts for its research and development expenses on a departmental and functional basis in accordance with its budget and management practices. All such costs are expensed as incurred.

Share-Based Compensation

The Company's share-based compensation programs consist of share-based awards granted to employees and members of the Company's board of directors, including stock options, restricted stock units and performance-based restricted stock units. The Company adopted SFAS No. 123 (revised 2004), *"Share-Based Payments"* ("SFAS No. 123(R)") in April 1, 2006, replacing Accounting Principles Board ("APB") Opinion No. 25, *"Accounting for Stock Issued to Employees"* ("APB No. 25"). Upon adoption of SFAS No. 123(R) in fiscal 2007, the Company recognized a benefit of approximately $0.02 million as a cumulative effect of a change in accounting principle resulting from the requirement to estimate forfeitures on the Company's restricted stock units at the date of grant under SFAS No. 123(R) rather than recognizing forfeitures as incurred under APB No. 25. An estimated forfeiture rate was applied to previously recorded compensation expense for the Company's unvested restricted stock units to determine the cumulative effect of a change in accounting principle. The cumulative benefit, net of tax, was immaterial for separate presentation in the consolidated statement of income and comprehensive income for the year ended March 31, 2007 and was included in operating income in the quarter ended June 30, 2006.

SFAS No. 123(R) requires compensation cost relating to share-based payment transactions to be recognized in the financial statements using a fair-value measurement method. Under the fair value method, the estimated fair value of awards is charged against income over the requisite service period for awards expected to vest, which is generally the vesting period. Certain of the Company's employees are retirement eligible under the terms of the Company's stock option plans (the "Plans") and awards to these employees generally vest in full upon retirement; since there are no effective future service requirements for these employees, the fair value of these awards is expensed in full on the grant date.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted

statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Effective April 1, 2007, the Company accounts for uncertain tax positions in accordance with FASB Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109"* ("FIN No. 48"). FIN No. 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest and penalties, and disclosure. The Company also recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Comprehensive Income

SFAS No. 130, *"Reporting Comprehensive Income"* ("SFAS No. 130") requires the Company to display comprehensive income and its components as part of the Company's consolidated financial statements. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes changes in equity that are excluded from net income, such as unrealized holding gains and losses on available-for-sale marketable securities.

Earnings per Share

The Company calculates earnings per share in accordance with SFAS No. 128, *"Earnings per Share"* ("SFAS No. 128"). SFAS No. 128 requires the presentation of basic earnings per share and diluted earnings per share. Basic earnings per share is calculated based upon net income available to holders of common shares divided by the weighted average number of shares outstanding. For the calculation of diluted earnings per share, the Company uses the weighted average number of shares outstanding, as adjusted for the effect of potential outstanding shares, including stock options, restricted stock units and redeemable convertible preferred stock.

Segment Information

SFAS No. 131, *"Disclosures about Segments of and Enterprise and Related Information"* ("SFAS No. 131") establishes standards for reporting information on operating segments in interim and annual financial statements. The Company operates as one segment, which is the business of developing, manufacturing and commercializing innovative medicines for the treatment of prevalent, chronic diseases. The Company's chief decision maker, the Chief Executive Officer, reviews the Company's operating results on an aggregate basis and manages the Company's operations as a single operating unit.

Employee Benefit Plans

The Company maintains a 401(k) retirement savings plan (the "401(k) Plan"), which covers substantially all of its employees. Eligible employees may contribute up to 100% of their eligible compensation, subject to certain Internal Revenue Service limitations. The Company matches 50% of the first 6% of employee pay and employee and Company contributions are fully vested when made. During the years ended March 31, 2009, 2008 and 2007, the Company contributed approximately $1.7 million, $1.6 million and $1.5 million, respectively, to match employee deferrals under the 401(k) Plan.

New Accounting Pronouncements

In November 2007, the EITF reached a final consensus on EITF Issue No. 07-1, *"Accounting for Collaborative Arrangements Related to the Development and Commercialization of Intellectual Property"* ("EITF No. 07-1"). EITF No. 07-1 is effective for the Company's fiscal year beginning April 1, 2009 and

adoption is on a retrospective basis to all prior periods presented for all collaborative arrangements existing as of the effective date. The Company does not expect the adoption of this standard to have a significant impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities"* ("SFAS No. 161"). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for the Company's fiscal year beginning April 1, 2009, and the Company does not expect the adoption of this standard to have a significant impact on its consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position ("FSP") No. APB 14-1, *"Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)"* ("FSP No. APB 14-1"). FSP No. APB 14-1 specifies that issuers of convertible debt instruments that may be settled in cash should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP No. APB 14-1 is effective for the Company's fiscal year beginning April 1, 2009, and the Company does not expect the adoption of this standard to have a significant impact on its consolidated financial statements.

In April 2009, the FASB issued three FSP's related to investments: FSP No. FAS 157-4, *"Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"* ("FSP FAS 157-4"); FSP No. FAS 115-2 and FAS 124-2, "*Recognition and Presentation of Other-Than-Temporary Impairments*" ("FSP FAS 115-2 and FAS 124"); and FSP No. FAS 107-1 and APB 28-1, "*Interim Disclosures about Fair Value of Financial Instruments*" ("FSP FAS 107-1 and APB 28-1"). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have significantly decreased and includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 115-2 and FAS 124 amends the other-than-temporary impairment guidance in existing U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. FSP FAS 107-1 and APB 28-1 requires disclosures about the fair value of financial instruments be made in interim reporting periods as well as in annual financial statements for publicly traded companies. The three FSP's are effective for the Company's fiscal year beginning April 1, 2009 and the Company is currently evaluating the impact the adoption of these standards will have on its consolidated financial statements.

ALKERMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. EARNINGS PER SHARE

Basic and diluted earnings per share is as follows:

	Year Ended March 31,		
	2009	2008	2007
		(In thousands)	
Numerator:			
Net income	$ 130,505	$ 166,979	$ 9,445
Denominator:			
Weighted average number of common shares outstanding	95,161	100,742	99,242
Effect of dilutive securities:			
Stock options	884	2,101	3,411
Restricted stock units	207	80	254
Redeemable convertible preferred stock	—	—	444
Dilutive common share equivalents	1,091	2,181	4,109
Shares used in calculating diluted earnings per share	96,252	102,923	103,351

The following amounts were not included in the calculation of earnings per share because their effects were anti-dilutive:

	Year Ended March 31,		
	2009	2008	2007
		(In thousands)	
Numerator:			
Adjustment for interest, net of tax	$ —	$ —	$ 1,246
Denominator:			
Stock options	15,647	12,300	6,985
2.5% convertible subordinated notes	—	—	1,879
3.75% convertible subordinated notes	—	—	9
Total	15,647	12,300	8,873

ALKERMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. INVESTMENTS

Investments consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In thousands)		
March 31, 2009				
Short-term investments:				
Available-for-sale securities:				
U.S. government and agency debt securities	$ 225,490	$ 2,635	$ (6)	$ 228,119
Corporate debt securities	8,160	9	—	8,169
Other debt securities	500	—	(20)	480
Total short-term investments	234,150	2,644	(26)	236,768
Long-term investments:				
Available-for-sale securities:				
U.S. government and agency debt securities	10,149	—	(3)	10,146
Corporate debt securities	57,887	—	(6,326)	51,561
Other debt securities	16,350	—	(2,683)	13,667
Strategic investments	738	53	—	791
	85,124	53	(9,012)	76,165
Held-to-maturity securities:				
U.S. government obligations	416	—	—	416
Certificates of deposit	4,240	—	—	4,240
	4,656	—	—	4,656
Total long-term investments	89,780	53	(9,012)	80,821
Total investments	$ 323,930	$ 2,697	$ (9,038)	$ 317,589
March 31, 2008				
Short-term investments:				
Available-for-sale securities:				
U.S. government and agency debt securities	$ 216,479	$ 1,261	$ —	$ 217,740
Corporate debt securities	22,327	—	(3)	22,324
Total short-term investments	238,806	1,261	(3)	240,064
Long-term investments:				
Available-for-sale securities:				
Corporate debt securities	95,627	—	(1,539)	94,088
Other debt securities	19,485	—	(1,142)	18,343
Strategic investments	1,908	91	(27)	1,972
	117,020	91	(2,708)	114,403
Held-to-maturity securities:				
U.S. government obligations	413	—	—	413
Certificates of deposit	4,240	—	—	4,240
	4,653	—	—	4,653
Total long-term investments	121,673	91	(2,708)	119,056
Total investments	$ 360,479	$ 1,352	$ (2,711)	$ 359,120

ALKERMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The proceeds from the sales and maturities of marketable securities, excluding strategic investments, which were primarily reinvested and resulting realized gains and losses were as follows:

	Year Ended March 31,		
	2009	2008	2007
	(In thousands)		
Proceeds from the sales and maturities of marketable securities	$ 645,122	$ 556,572	$ 322,989
Realized gains	$ 621	$ 172	$ 220
Realized losses	$ 131	$ 48	$ 144

The Company's available-for-sale and held-to-maturity securities at March 31, 2009 have contractual maturities in the following periods:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)			
Within 1 year	$ 154,886	$ 155,869	$ 4,656	$ 4,656
After 1 year through 5 years(1)	126,569	125,410	—	—
After 5 years through 10 years(2)	27,081	22,787	—	—
After 10 years	10,000	8,076	—	—
Total	$ 318,536	$ 312,142	$ 4,656	$ 4,656

(1) Includes investments with an amortized cost of $72.6 million and an estimated fair value of $70.8 million that have issuer call dates prior to July 2010.

(2) All of the investments within this category have issuer call dates prior to May 2011.

As of March 31, 2009, the Company believes that the unrealized losses on its available-for-sale investments are temporary and it has the intent and ability to hold these securities to recovery, which may be at maturity. The investments generally consist of corporate debt securities and other debt securities including auction rate debt securities and asset backed debt securities.

During the three months ended March 31, 2009, the Company's investments in corporate debt securities with an original cost of $66.0 million had minimal to no trades. These securities consist primarily of investment grade subordinated, medium term, callable step-up floating rate notes ("FRN") issued by several large European and U.S. banks. At March 31, 2009, the FRN's had composite ratings by Moody's, Standard & Poor's ("S&P") and Fitch of between AA and A-. These FRN's did not trade either because they were nearing their scheduled call dates or due to increasing credit spreads on the debt of the issuers. The Company estimates the fair value of the FRN's to be $59.7 million at March 31, 2009. Similar securities the Company has held have been called at par by issuers prior to maturity.

Since the FRN's were not trading and fair value could not be derived from quoted prices, the Company used a discounted cash flow model to determine the estimated fair value of the securities at March 31, 2009. The assumptions used in the discounted cash flow model included estimates for interest rates, expected holding periods and risk adjusted discount rates, which the Company believes to be the most critical assumptions utilized within the analysis. The valuation analysis considered, among other items, assumptions that market participants would use in their estimates of fair value, such as the creditworthiness and credit spreads of the issuer and when callability features may be exercised by the issuer. These securities were also compared, where possible, to securities with observable market data with similar characteristics to the securities held by the Company.

In making the determination that the decline in fair value of the FRN's was temporary, the Company considered various factors, including but not limited to: the length of time each security was in an unrealized

loss position, the extent to which fair value was less than cost, financial condition and near term prospects of the issuers and the Company's intent and ability to hold each security for a period of time sufficient to allow for any anticipated recovery in fair value. The estimated fair value of the FRN's could change significantly based on future financial market conditions. The Company will continue to monitor the securities and the financial markets, and if there is continued deterioration, the fair value of these securities could decline further resulting in an other-than-temporary impairment charge.

The Company's two investments in auction rate securities each had an original cost of $5.0 million and invest in taxable student loan revenue bonds issued by the Colorado Student Obligation Bond Authority ("Colorado") and Brazos Higher Education Service Corporation ("Brazos") which service student loans under the Federal Family Education Loan Program. The bonds are collateralized by student loans purchased by the authorities which are guaranteed by state sponsored agencies and reinsured by the U.S. Department of Education. Liquidity for these securities is typically provided by an auction process that resets the applicable interest rate at pre-determined intervals. The Colorado securities are Aaa rated by Moody's and the Brazos securities were downgraded during the three months ended March 31, 2009 to Baa3 by Moody's due to the increase in funding costs as a result of the continuing and prolonged dislocation of the auction rate securities market. Due to repeated failed auctions since January 2008, the Company no longer considers these securities to be liquid and classified them as long-term investments in the consolidated balance sheets. The securities continue to pay interest during the periods in which the auctions have failed.

The Company estimated the fair value of the auction rate securities to be $8.1 million. Since the security auctions have failed and fair value cannot be derived from quoted prices, the Company used a discounted cash flow model to determine the estimated fair value of the securities at March 31, 2009. The assumptions used in the discounted cash flow model includes estimates for interest rates, timing of cash flows, expected holding periods and risk adjusted discount rates, which include a provision for default and liquidity risk, which the Company believes to be the most critical assumptions utilized within the analysis. The valuation analysis considers, among other items, assumptions that market participants would use in their estimates of fair value, such as the collateral underlying the security, the creditworthiness of the issuer and any associated guarantees, the timing of expected future cash flows, and the expectation of the next time the security will have a successful auction or when callability features may be exercised by the issuer. These securities were also compared, where possible, to other observable market data with similar characteristics to the securities held by us.

In making the determination that the decline in fair value of the auction rate securities was temporary, the Company considered various factors, including, but not limited to: the length of time each security was in an unrealized loss position; the extent to which fair value was less than cost; financial condition and near term prospects of the issuers and the Company's intent and ability to hold each security for a period of time sufficient to allow for any anticipated recovery in fair value. The estimated fair value of the auction rate securities could change significantly based on future financial market conditions. The Company will continue to monitor the securities and the financial markets, and if there is continued deterioration, the fair value of these securities could decline further resulting in an other-than-temporary impairment charge.

At March 31, 2009, the Company had investments in asset backed debt securities with a cost of $6.9 million and represent the Company's investment in medium term floating rate notes ("MTN") of Aleutian Investments, LLC ("Aleutian") and Meridian Funding Company, LLC ("Meridian"), which are qualified special purpose entities ("QSPE's") of Ambac Financial Group, Inc. ("Ambac") and MBIA, Inc. ("MBIA"), respectively. Ambac and MBIA are guarantors of financial obligations and are referred to as monoline financial guarantee insurance companies. The QSPE's, which purchase pools of assets or securities and fund the purchase through the issuance of MTN's, have been established to provide a vehicle to access the capital markets for asset backed debt securities and corporate borrowers. The MTN's include sinking fund redemption features which match-fund the terms of redemptions to the maturity dates of the underlying pools of assets or securities in order to mitigate potential liquidity risk to the QSPE's. At March 31, 2009, $5.5 million of the Company's initial investment in

the Meridian MTN's had been redeemed by MBIA through scheduled sinking fund redemptions at par value and the first sinking fund redemption on the Aleutian MTN is scheduled for June 2009.

The liquidity and fair value of these securities has been negatively impacted by the uncertainty in the credit markets and the exposure of these securities to the financial condition of monoline financial guarantee insurance companies, including Ambac and MBIA. In April 2009, Moody's downgraded Ambac to Ba3 from Baa1 and in November 2008, S&P downgraded Ambac to A from AA. In February 2009, Moody's downgraded MBIA to B3 from Baa1 and S&P downgraded MBIA to BBB+ from AA. The downgrades were all attributed to Ambac's and MBIA's inability to maintain adequate capital levels.

The Company estimated the fair value of the asset backed securities to be $6.1 million. Because the MTN's are not actively trading in the credit markets and fair value cannot be derived from quoted prices, the Company used a discounted cash flow model to determine the estimated fair value of the securities at March 31, 2009. The Company's valuation analyses consider, among other items, assumptions that market participants would use in their estimates of fair value such as the collateral underlying the security, the creditworthiness of the issuer and the associated guarantees by Ambac and MBIA, the timing of expected future cash flows, including whether the callability features of these investments may be exercised by the issuer. The Company believes there are several significant assumptions that are utilized in its valuation analysis, the most critical of which is the discount rate, which includes a provision for default and liquidity risk.

The Company may not be able to liquidate its investment in these securities before the scheduled redemptions or until trading in the securities resumes in the credit markets, which may not occur. At March 31, 2009, the Company determined that the securities had been temporarily impaired due to the length of time each security was in an unrealized loss position, the extent to which fair value was less than cost, the financial condition and near term prospects of the issuers, current redemptions made by one of the issuers and the Company's intent and ability to hold each security for a period of time sufficient to allow for any anticipated recovery in fair value or until scheduled redemption.

The Company's strategic investments include common stock and warrants in companies which it has or did have a collaborative agreement with. For the years ended March 31, 2009, 2008 and 2007, the Company recognized $1.2 million, $1.6 million and none, respectively, in charges for other-than-temporary losses on its strategic investments due to declines in the fair value of the common stock of certain companies which the Company did not believe would recover in the near term.

The Company also holds warrants to purchase the common stock of a former collaborator that is considered to be a derivative instrument. As of March 31, 2009 and 2008, the warrants' carrying value was immaterial. Warrants are valued using an established option pricing model and changes in value are recorded in the consolidated statement of income and comprehensive income as "Other (expense) income, net." During the year ended March 31, 2009, 2008 and 2007, the Company recorded income of none, $1.4 million and a charge of $0.7 million, respectively, related to changes in the value of warrants. The recorded value of the warrants can fluctuate significantly based on fluctuations in the market value of the underlying securities of the issuer of the warrants. In the year ended March 31, 2008, the Company exercised certain of its warrants to purchase the common stock of a collaborator.

In November 2007, Reliant Pharmaceuticals, Inc. ("Reliant") was acquired by GlaxoSmithKline ("GSK"). Under the terms of the acquisition, the Company received $166.9 million upon the closing of the transaction in December 2007 in exchange for the Company's investment in Series C convertible, redeemable preferred stock of Reliant. The Company purchased the Series C convertible, redeemable preferred stock of Reliant for $100.0 million in December 2001. The Company's investment in Reliant had been written down to zero prior to the time of the sale. This transaction was recorded as a non-operating gain on sale of investment in Reliant of $174.6 million in the three months ended December 31, 2007. In March 2009, the Company received the final $7.7 million of funds, which were released from escrow subject to the terms of an escrow agreement between GSK and Reliant.

ALKERMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. FAIR VALUE MEASUREMENTS

The following table presents information about the Company's assets that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value:

	March 31, 2009	Level 1	Level 2	Level 3
		(In thousands)		
Cash equivalents	$ 822	$ 822	$ —	$ —
U.S. government and agency debt securities	238,265	238,265	—	—
Corporate debt securities	59,730	—	—	59,730
Other debt securities	14,147	—	—	14,147
Strategic equity investments	791	791	—	—
Total	$ 313,755	$ 239,878	$ —	$ 73,877

The following table is a rollforward of the fair value of the Company's investments whose fair value is determined using Level 3 inputs:

	Fair Value (In thousands)
Balance, April 1, 2008	$ 18,612
Investments transferred to Level 3	59,730
Total unrealized losses included in comprehensive income	(1,561)
Redemptions, at par value	(2,904)
Balance, March 31, 2009	$ 73,877

The fair values of the Company's investments in its corporate debt securities and other debt securities including auction rate securities and asset backed debt securities are determined using certain inputs that are unobservable and considered significant to the overall fair value measurement. Through the nine months ended December 31, 2008, the Company used quoted market prices for identical or similar investments to determine the fair value of its corporate debt securities. During the three months ended March 31, 2009, the corporate debt securities held by the Company had minimal or no trades and as a result were transferred to a Level 3 classification. During the year ended March 31, 2009, the security auctions for the Company's auction rate securities have failed and the Company's investments in asset backed debt securities have not actively traded. The Company is unable to derive a fair value for these investments using quoted market prices.

The Company used a discounted cash flow model to determine the estimated fair value of its Level 3 investments. The assumptions used in the discounted cash flow models used to determine the estimated fair value of these securities include estimates for interest rates, timing of cash flows, expected holding periods and risk adjusted discount rates, which include a provision for default risk and in the case of asset backed securities, liquidity risk. The Company's valuation analyses consider, among other items, assumptions that market participants would use in their estimates of fair value, such as the collateral underlying the security, the inability to sell the investment in an active market, the creditworthiness of the issuer and any associated guarantees, the credit rating of the underlying security, the timing of expected future cash flows and the expectation of the next time the security will have a successful auction or when callability features may be exercised by the issuer. These securities were also compared, where possible, to other observable market data with similar characteristics.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115"* ("SFAS No. 159"). SFAS No. 159 permits, but does not require, entities to elect to measure selected financial instruments and certain other items

at fair value. Unrealized gains and losses on items for which the fair value option has been elected are recognized in earnings at each reporting period. The Company adopted the provisions of SFAS No. 159 on April 1, 2008 and did not elect to measure any new assets or liabilities at their respective fair values and, therefore, the adoption of SFAS No. 159 did not have an impact on its results of operations and financial position.

6. INVENTORY

Inventory consists of the following:

	March 31,	
	2009	2008
	(In thousands)	
Raw materials	$ 5,916	$ 8,373
Work in process	5,397	3,060
Finished goods	7,015	7,451
Consigned-out inventory	1,969	—
Inventory	$ 20,297	$ 18,884

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	March 31,	
	2009	2008
	(In thousands)	
Land	$ 301	$ 301
Building and improvements	36,325	35,003
Furniture, fixture and equipment	67,165	63,828
Leasehold improvements	33,996	33,387
Construction in progress	41,908	42,859
Subtotal	179,695	175,378
Less: accumulated depreciation	(73,234)	(62,839)
Total property, plant and equipment, net	$ 106,461	$ 112,539

Depreciation expense was $10.3 million, $12.1 million, and $12.0 million for the years ended March 31, 2009, 2008 and 2007, respectively. The Company has $0.5 million of equipment acquired under a capital lease and accumulated depreciation of this equipment totaled $0.5 million and $0.4 million at March 31, 2009 and 2008, respectively. During the years ended March 31, 2009 and 2008, the Company wrote off none and $1.6 million, respectively, of fully depreciated furniture, fixtures and equipment in accordance with its capital assets accounting policy. Also, during the year ended March 31, 2009 and 2008, the Company wrote off furniture, fixtures and equipment that had a carrying value of less than $0.1 million and $0.8 million, respectively, at the time of disposition.

Amounts recorded as construction in progress in the consolidated balance sheets consist primarily of costs incurred for the expansion of the Company's manufacturing facility in Ohio.

ALKERMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consists of the following:

	March 31, 2009	March 31, 2008
	(In thousands)	
Accounts payable	$ 8,046	$ 7,042
Accrued compensation	13,817	11,245
Accrued interest	1,549	2,975
Accured restructuring — current	743	4,037
Amounts due to Cephalon	1,169	—
Accrued other	11,159	10,747
Total accounts payable and accrued expenses	$ 36,483	$ 36,046

9. LONG-TERM DEBT

Long-term debt consists of the following:

	March 31, 2009	March 31, 2008
	(In thousands)	
Non-recourse RISPERDAL CONSTA secured 7% Notes	$ 75,888	$ 160,324
Obligation under capital lease	—	47
Total long-term debt	75,888	160,371
Less: current portion	(25,667)	(47)
Long-term debt	$ 50,221	$ 160,324

Non-Recourse RISPERDAL CONSTA Secured 7% Notes

On February 1, 2005, the Company, pursuant to the terms of a purchase and sale agreement, sold, assigned and contributed to Royalty Sub the rights of the Company to collect certain royalty payments and manufacturing fees (the "Royalty Payments") earned under the Janssen Agreements (defined below) and certain agreements that may arise in the future, in exchange for approximately $144.2 million in cash. The Royalty Payments arise under: (i) the license agreements dated February 13, 1996 for the U.S. and its territories and February 21, 1996 for all countries other than the U.S. and its territories, by and between the Company, and its successors, and Janssen Pharmaceutical, Inc. and certain of its affiliated entities ("JP"); and (ii) the manufacturing and supply agreement dated August 6, 1997 by and between JPI Pharmaceutica International ("JPI" and together with JP, "Janssen"), JP and the Company (collectively, the "Janssen Agreements"). The assets of Royalty Sub consist principally of the rights to the Royalty Payments described above.

Concurrently with the purchase and sale agreement, on February 1, 2005, Royalty Sub issued an aggregate principal amount of $170.0 million of its 7% Notes to certain institutional investors in a private placement, for net proceeds of approximately $144.2 million, after the original issue discount and offering costs of approximately $19.7 million and $6.1 million, respectively. The yield to maturity at the time of the offer was 9.75%. The annual cash coupon rate is 7% and is payable quarterly, beginning on April 1, 2005, however, portions of the principal amount that are not paid off in accordance with the expected principal repayment profile will accrue interest at 9.75%. Through January 1, 2009, the holders received only quarterly

cash interest payments. Beginning on April 1, 2009, principal payments will be made to the holders, subject to certain conditions. Timing of the principal repayment will be based on the revenues received by Royalty Sub but will occur no earlier than equally over the twelve quarters between April 1, 2009 and January 1, 2012, subject to certain conditions. Non-payment of principal will not be an event of default prior to the legal maturity date of January 1, 2018. The 7% Notes, however, may be redeemed at Royalty Sub's option, subject, in certain circumstances, to the payment of a redemption premium. The 7% Notes are secured by: (i) all of Royalty Sub's property and rights, including the royalty rights; and (ii) the Company's ownership interests in Royalty Sub. Accordingly, the assets of Royalty Sub will not be available to satisfy other obligations of Alkermes and the assets of Alkermes are not available to satisfy obligations of Royalty Sub. During the years ended March 31, 2009, 2008 and 2007, amortization of the original issue discount and offering costs, which are being amortized over the expected principal repayment period ending January 1, 2012 totaled $3.7 million, $4.4 million and $4.1 million, respectively.

During the year ended March 31, 2009, the Company purchased, in five separate, privately negotiated transactions, an aggregate of $93.0 million in principal amount of its outstanding 7% Notes for $89.4 million. As a result of the purchases, $77.0 million principal amount of the 7% Notes remains outstanding at March 31, 2009. The Company recorded a loss on the extinguishment of the purchased 7% Notes of $2.5 million, consisting of $0.9 million of transaction fees and a $1.6 million difference between the carrying value and the purchase price of the 7% Notes, which was recorded as interest expense.

The Royalty Payments received by Royalty Sub under the Janssen Agreements are the sole source of payment of the interest, principal and redemption premium, if any, for the 7% Notes. The Company will receive all of the RISPERDAL CONSTA revenues in excess of amounts required to pay interest, principal and redemption premium, if any. The Company's rights to receive such excess revenues will be subject to certain restrictions while the 7% Notes remain outstanding. The Company is also subject to comply with certain other customary affirmative covenants and event of default provisions. At March 31, 2009, the Company was in compliance with all such covenants.

Scheduled maturities with respect to the 7% notes are as follows:

	2010	2011	2012
		(In thousands)	
7% Notes(1)	$ 25,667	$ 25,667	$ 25,666

(1) The 7% Notes were issued by Royalty Sub. The 7% Notes are non-recourse to Alkermes.

2.5% Subordinated Notes

In August and September 2003, the Company issued an aggregate of $100.0 million and $25.0 million, respectively, principal amount of the 2.5% convertible subordinated notes due 2023 (the "2.5% Subordinated Notes"). The 2.5% Subordinated Notes were convertible into shares of the Company's common stock at a conversion price of $13.85 per share, subject to adjustment in certain events. Prior to the conversion, the 2.5% Subordinated Notes bore interest at 2.5% per year, payable semiannually on March 1 and September 1, commencing on March 1, 2004 and were subordinated to existing and future senior indebtedness of the Company.

On June 15, 2006, the Company converted all of the outstanding $125.0 million principal amount of the 2.5% Subordinated Notes into 9,025,271 shares of the Company's common stock. The book value of the 2.5% Subordinated Notes at the time of the conversion was $124.4 million. In connection with the conversion, the Company paid approximately $0.6 million in cash to satisfy the Three-Year Interest Make-Whole provision in the note indenture, which was recorded as additional interest expense on the date of the conversion. None of the 2.5% Subordinated Notes were outstanding as of March 31, 2009 or 2008, and no gain or loss was

recorded on the conversion of the 2.5% Subordinated Notes in the year ended March 31, 2007, which was executed in accordance with the underlying indenture.

Term Loan and Equipment Financing Arrangement

In December 2004, the Company entered into a term loan in the principal amount of $3.7 million with General Electric Capital Corporation ("GE"). The term loan was secured by certain of the Company's equipment pursuant to a security agreement and was subject to an ongoing financial covenant related to the Company's available cash position. The loan was payable in 36 monthly installments and matured in December 2007 and bore a floating interest rate equal to the one-month London Interbank Offered Rate ("LIBOR") plus 5.45%.

In addition, in December 2004, the Company entered into a commitment for equipment financing with GE. The equipment financing, in the form of an equipment lease line, provided the Company with the ability to finance up to $18.3 million in new equipment purchases. The lease line expired unused in December 2008 and was not renewed.

Obligation Under Capital Lease

In September 2003, the Company and Johnson & Johnson Finance Corporation ("J&J Finance") entered into a 60-month sale-leaseback agreement to provide the Company with equipment financing under which the Company received approximately $0.5 million in proceeds from J&J Finance. The lease matured in September 2008 and no amounts remain outstanding under this lease at March 31, 2009.

10. RESTRUCTURING

In March 2008, the Company's collaborative partner Lilly announced the decision to discontinue the AIR Insulin development program and gave notice of termination under the collaborative development and license agreement. In March 2008, in connection with the program termination, the Company's board of directors approved a plan (the "2008 Restructuring") to reduce the Company's workforce by approximately 150 employees and to cease operations at the Company's AIR commercial manufacturing facility located in Chelsea, Massachusetts. In connection with the 2008 Restructuring, the Company recorded charges of $6.9 million during the year ended March 31, 2008. Activity related to the 2008 Restructuring was as follows:

	Facility Closure	Severance	Other Contract Losses	Total
		(In thousands)		
Initial restructuring charge in March 2008	$ 3,886	$ 2,881	$ 146	$ 6,913
Payments	—	—	(109)	(109)
Other adjustments(1)	1,044	—	—	1,044
Balance, March 31, 2008(2)	$ 4,930	$ 2,881	$ 37	$ 7,848
Additions	43	78	—	121
Payments	(802)	(2,959)	(13)	(3,774)
Other adjustments	22	—	(24)	(2)
Balance, March 31, 2009(2)	$ 4,193	$ —	$ —	$ 4,193

(1) Relates to a reclassification of amounts previously accrued by the Company related to escalating lease payments under the Company's AIR commercial manufacturing facility lease.

(2) At March 31, 2009 and 2008, the restructuring liability related to the 2008 Restructuring consists of $0.7 million and $3.8 million classified as current, respectively, and $3.5 million and $4.0 million classified as long-term, respectively, in the accompanying consolidated balance sheets.

As of March 31, 2009, the Company had paid $3.9 million in connection with the 2008 Restructuring. The amounts remaining in the restructuring accrual as of March 31, 2009 are expected to be paid out through fiscal 2016 and relate primarily to estimates of lease costs associated with the exited facility and may require adjustment in the future.

In connection with the termination of the AIR Insulin development program, the Company performed an impairment analysis on the assets that supported the production of AIR Insulin, which consisted of equipment and leasehold improvements at the AIR commercial manufacturing facility. The Company determined that the carrying value of these assets exceeded their fair value and recorded an impairment charge of $11.6 million in March 2008. Fair value of the impaired assets was based on internally and externally established estimates and selling prices of similar assets.

In June 2004, the Company and its former collaborative partner Genentech, Inc. ("Genentech") announced the decision to discontinue commercialization of NUTROPIN DEPOT® (the "2004 Restructuring"). In connection with the 2004 Restructuring, the Company recorded charges of $11.5 million in the year ended March 31, 2005. In addition to the restructuring, the Company also recorded a one-time write-off of NUTROPIN DEPOT inventory of approximately $1.3 million, which was recorded as "Cost of goods manufactured" in the consolidated statement of income and comprehensive income in the year ended March 31, 2005. For the years ended March 31, 2009, 2008 and 2007, the company made facility related payments of $0.1 million, $0.4 million and $0.8 million, respectively, and had made non-cash adjustments of $0.1 million, $0.5 million and $0.5 million, respectively, to the 2004 Restructuring accrual. The 2004 Restructuring was completed as of September 30, 2008.

11. SHAREHOLDERS' EQUITY

Share Repurchase Programs

In November 2007, the board of directors authorized a share repurchase program to repurchase up to $175.0 million of the Company's common stock at the discretion of management from time to time in the open market or through privately negotiated transactions (the "2007 repurchase program"). In June 2008, the board of directors authorized the expansion of this repurchase program by an additional $40.0 million, bringing the total authorization under this program to $215.0 million. The objective of the 2007 repurchase program is to improve shareholders' returns. At March 31, 2009, approximately $103.7 million was available to repurchase common stock pursuant to the 2007 repurchase program. All shares repurchased are recorded as treasury stock. The repurchase program has no set expiration date and may be suspended or discontinued at any time.

During the years ended March 31, 2009 and 2008, the Company expended approximately $18.0 million and $33.4 million, respectively, on open market purchases and repurchased 1,569,202 and 2,278,194 shares, respectively, of outstanding common stock at an average price of $11.47 and $14.64 per share, respectively, under the 2007 repurchase program. During the year ended March 31, 2008, the Company entered into and completed a structured stock repurchase arrangement with a large financial institution in order to lower the average cost to acquire shares. The Company made an up-front payment of $60.0 million to the counterparty financial institution and took delivery of 4,690,542 shares at an average price of $12.79.

In September 2005, the Company's board of directors authorized a share repurchase program up to $15.0 million of common stock to be repurchased in the open market or through privately negotiated transactions. During the year ended March 31, 2007, the Company expended approximately $12.5 million and repurchased 823,677 shares at an average price of $15.20, respectively, under this program. Upon the adoption

of the $175.0 million share repurchase program in November 2007, the repurchase authorization of $2.5 million remaining under this program was superseded, and no repurchase authorization remains outstanding under this program.

Shareholder Rights Plan

In February 2003, the board of directors of the Company adopted a shareholder rights plan (the "Rights Plan") under which all common shareholders of record as of February 20, 2003 received rights to purchase shares of a new series of preferred stock. The Rights Plan is designed to enable all Alkermes' shareholders to realize the full value of their investment and to provide for fair and equal treatment for all shareholders in the event that an unsolicited attempt is made to acquire the Company. The adoption of the Rights Plan is intended as a means to guard against coercive takeover tactics and is not in response to any particular proposal. The rights will be distributed as a nontaxable dividend and will expire ten years from the record date. Each right will initially entitle common shareholders to purchase a fractional share of the preferred stock for $80. Subject to certain exceptions, the rights will be exercisable only if a person or group acquires 15% or more of the Company's common stock or announces a tender or exchange offer upon the consummation of which such person or group would own 15% or more of the Company's common stock. Subject to certain exceptions, if any person or group acquires 15% or more of the Company's common stock, all rights holders, except the acquiring person or group, will be entitled to acquire the Company's common stock (and in certain instances, the stock of the acquirer) at a discount. The rights will trade with the Company's common stock, unless and until they are separated upon the occurrence of certain future events. Generally, the Company's board of directors may amend the Rights Plan or redeem the rights prior to ten days (subject to extension) following a public announcement that a person or group has acquired 15% or more of the Company's common stock.

12. SHARE-BASED COMPENSATION

Share-based Compensation Expense

The following table presents share-based compensation expense included in the Company's consolidated statements of income and comprehensive income:

	Year Ended March 31,		
	2009	2008	2007
		(In thousands)	
Cost of goods manufactured and sold	$ 1,348	$ 1,812	$ 2,713
Research and development	4,438	7,010	8,604
Selling, general and administrative	9,024	10,623	16,370
Total share-based compensation expense	$ 14,810	$ 19,445	$ 27,687

As of March 31, 2009, 2008 and 2007, $0.4 million, $0.3 million and $0.6 million, respectively, of share-based compensation cost was capitalized and recorded as "Inventory" in the consolidated balance sheets.

Share-based Compensation Plans

The Company has one compensation plan pursuant to which awards are currently being made, the Alkermes, Inc. 2008 Stock Option and Incentive Plan (the "2008 Plan"). The Company has six share-based compensation plans pursuant to which outstanding awards have been made, but from which no further awards can or will be made: (i) the 1990 Omnibus Stock Option Plan (the "1990 Plan"); (ii) the 1996 Stock Option Plan for Non-Employee Directors (the "1996 Plan"); (iii) the 1998 Equity Incentive Plan (the "1998 Plan"); (iv) the 1999 Stock Option Plan (the "1999 Plan"); (v) the 2002 Restricted Stock Award Plan (the "2002 Plan"); and (vi) the 2006 Stock Option Plan for Non-Employee Directors (the "2006 Plan").

The 2008 Plan provides for issuance of non-qualified and incentive stock options, restricted stock, restricted stock units, cash-based awards and performance shares to employees, officers and directors of, and consultants to, the Company in such amounts and with such terms and conditions as may be determined by the compensation committee of our board of directors, subject to provisions of the 2008 Plan. Shares of common stock available for issuance under the 2008 Plan consist of 6.4 million shares reserved for this purpose, plus shares of common stock that remained available for issuance under the 1999 Plan, the 2002 Plan and 2006 Plan, plus shares of stock underlying any grants pursuant to the 1999 Plan, the 2002 Plan and 2006 Plan that are forfeited, cancelled, repurchased or are terminated (other than by exercise) from and after the date that the Company's stockholders approved the 2008 Plan. The 2008 Plan provides that awards other than stock options will be counted against the total number of shares available under the plan in a 2-to-1 ratio.

Stock Options

Stock option grants to employees generally expire ten years from the grant date and generally vest one-fourth per year over four years from the anniversary of the date of grant, provided the employee remains continuously employed with the Company, except as otherwise provided in the plan. Stock option grants to directors are for ten-year terms and generally vest over a 6-month period provided the director continues to serve on the Company's board of directors through the vesting date, except as otherwise provided in the plan. The estimated fair value of options is recognized over the requisite service period, which is generally the vesting period. Share-based compensation expense is based on awards ultimately expected to vest. Forfeitures are estimated based on historical experience at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates.

The fair value of stock option grants is based on estimates as of the date of grant using a Black-Scholes option valuation model. The Company used historical data as the basis for estimating option terms and forfeitures. Separate groups of employees that have similar historical stock option exercise and forfeiture behavior are considered separately for valuation purposes. The ranges of expected terms disclosed below reflect different expected behavior among certain groups of employees. Expected stock volatility factors are based on a weighted average of implied volatilities from traded options on the Company's common stock and historical stock price volatility of the Company's common stock, which is determined based on a review of the weighted average of historical daily price changes of the Company's common stock. The risk-free interest rate for periods commensurate with the expected term of the share option is based on the U.S. treasury yield curve in effect at the time of grants. The dividend yield on the Company's common stock is estimated to be zero as the Company has not paid and does not expect to pay dividends. The exercise price of options granted prior to October 7, 2008 equals the average of the high and low of the Company's common stock traded on the NASDAQ Global Market on the date of grant. Beginning with the adoption of the 2008 Plan, the exercise price of option grants made after October 7, 2008 is equal to the closing price of the Company's common stock traded on the NASDAQ Global Market on the date of grant.

The fair value of each stock option grant was estimated on the grant date with the following weighted-average assumptions:

	Year Ended March 31,		
	2009	2008	2007
Expected option term	5 - 7 years	4 - 7 years	4 - 5 years
Expected stock volatility	36% - 46%	38% - 50%	50%
Risk-free interest rate	1.66% - 3.52%	2.78% - 5.07%	4.45% - 5.07%
Expected annual dividend yield	—	—	—

ALKERMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of stock option activity is presented in the following table:

	Number of Shares	Weighted Average Exercise Price
Outstanding, April 1, 2008	18,577,155	$ 16.53
Granted(1)	1,940,500	12.01
Exercised	(919,817)	8.32
Forfeited	(555,778)	16.07
Expired(1)	(896,471)	18.65
Outstanding, March 31, 2009	18,145,589	$ 16.37
Exercisable, March 31, 2009	14,233,910	$ 16.94

(1) The Company determined that the compensation attributable to certain grants of non-qualified stock options made to certain of its executive officers in the past may not be deductible by the Company as a result of the limitations imposed by Section 162(m) of the Internal Revenue Code ("Section 162(m)") because such stock options were granted pursuant to a stock option plan that did not contain one of the provisions necessary in order to maintain such deductibility under Section 162(m). As such, the Company cancelled and reissued 365,740 and 977,780 options on October 15, 2008 and November 19, 2008, respectively, under the 2008 Plan for the sole purpose of preserving the Company's tax deduction in the future with respect to such stock options. The options that were cancelled were re-issued with the same terms and there was no incremental compensation cost as a result of the modifications. These amounts are not included in the table above.

The weighted average grant date fair value of stock options granted during the years ended March 31, 2009, 2008 and 2007 was $5.41, $6.93 and $8.13, respectively. The aggregate intrinsic value of stock options exercised during the years ended March 31, 2009, 2008 and 2007 was $4.9 million, $7.0 million and $4.8 million, respectively.

As of March 31, 2009, there were 17,887,833 stock options vested and expected to vest with a weighted average exercise price of $16.40 per share, a weighted average contractual remaining life of 5.0 years and an aggregate intrinsic value of $10.8 million. As of March 31, 2009, the aggregate intrinsic value of stock options exercisable was $10.3 million with a weighted average remaining contractual term of 4.1 years. The expected to vest options are determined by applying the pre-vesting forfeiture rate to the total outstanding options. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the stock option.

As of March 31, 2009, there was $8.7 million of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of approximately 1.9 years.

Cash received from option exercises under the Company's Plans during the years ended March 31, 2009 and 2008 was $7.1 million and $11.1 million, respectively. The Company issued new shares upon option exercises during the years ended March 31, 2009 and 2008.

Since its adoption of SFAS No. 123(R) on April 1, 2006, the Company has been subject to the U.S. Alternative Minimum Tax ("AMT"), due to certain limitations on NOL utilization. As a result, the Company has recorded a $0.4 million benefit to additional paid-in capital for the reduction to the AMT tax related to these excess tax benefits.

ALKERMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Stock Units

Restricted stock units ("RSUs") awarded to employees generally vest one-fourth per year over four years from the anniversary of the date of grant, provided the employee remains continuously employed with the Company. Shares of the Company's common stock is delivered to the employee upon vesting, subject to payment of applicable withholding taxes. The fair value of all RSUs is based on the market value of the Company's stock on the date of grant. Compensation expense, including the effect of forfeitures, is recognized over the applicable service period.

A summary of RSU activity is presented in the following table:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, April 1, 2008	482,500	$ 16.11
Granted	581,500	12.29
Vested	(147,498)	16.86
Forfeited	(114,562)	13.46
Outstanding, March 31, 2009	801,940	$ 13.52

At March 31, 2009, there was $4.7 million of total unrecognized compensation cost related to unvested RSUs, which will be recognized over the a weighted average remaining contractual term of 2.1 years.

Performance-Based Restricted Stock Units

In May 2008, the board of directors awarded 40,000 performance-based RSUs to certain of the Company's executive officers under the 2002 Plan. The award vests upon the achievement of a market condition specified in the award terms. As of March 31, 2009, the market condition had not been met and the award had not vested. The grant date fair value of the award was determined through the use of a Monte Carlo simulation model, which utilizes multiple input variables that determines the probability of satisfying the market condition stipulated in the award and calculates the fair market value for the performance award. The valuation model for the performance-based RSUs used the following assumptions:

Grant Date	Weighted-Average Expected Volatility	Expected Dividend Yield	Risk-Free Interest Rate
May 27, 2008	42.7%	—	2.5%

The compensation cost for the award's grant date fair value of $0.4 million is being recognized over a derived service period of 1.4 years. At March 31, 2009, there was $0.2 million of unrecognized compensation cost related to unvested performance-based RSUs that will be recognized over the following seven months.

13. COLLABORATIVE ARRANGEMENTS

The Company's business strategy includes forming collaborations to develop and commercialize its products, and to access technological, financial, marketing, manufacturing and other resources. The Company has entered into several collaborative arrangements, as described below:

Janssen

Under a product development agreement, the Company collaborated with Janssen on the development of RISPERDAL CONSTA. Under the development agreement, Janssen provided funding to the Company for the development of RISPERDAL CONSTA, and Janssen is responsible for securing all necessary regulatory approvals for the product. RISPERDAL CONSTA has been approved in approximately 85 countries and has

been launched in approximately 60 countries, including the U.S. and several major international markets. The Company exclusively manufactures RISPERDAL CONSTA for commercial sale and records revenue when product is shipped to Janssen and royalty revenues upon the final sale of the product. In addition, the Company and Janssen have recently agreed to begin work to develop a four week formulation of RISPERDAL CONSTA.

Under license agreements, the Company granted Janssen and an affiliate of Janssen exclusive worldwide licenses to use and sell RISPERDAL CONSTA. Under the Company's license agreements with Janssen, the Company receives royalties equal to 2.5% of Janssen's net sales of RISPERDAL CONSTA in the quarter when the product is sold by Janssen. Janssen can terminate the license agreements upon 30 days prior written notice to the Company.

Under the manufacturing and supply agreement with Janssen, the Company records manufacturing revenue when product is shipped to Janssen, based on a percentage of Janssen's net unit sales price for RISPERDAL CONSTA for the calendar year. This percentage is determined based on Janssen's unit demand for the calendar year and varies based on the volume of units shipped, with a minimum manufacturing fee of 7.5%.

The manufacturing and supply agreement terminates on expiration of the license agreements. In addition, either party may terminate the manufacturing and supply agreement upon a material breach by the other party which is not resolved within 60 days written notice or upon written notice in the event of the other party's insolvency or bankruptcy. Janssen may terminate the agreement upon six months written notice to the Company. In the event that Janssen terminates the manufacturing and supply agreement without terminating the license agreements, the royalty rate payable to the Company on Janssen's net sales of RISPERDAL CONSTA would increase from 2.5% to 5.0%.

During the years ended March 31, 2009, 2008 and 2007, the Company recognized $150.2 million, $124.7 million, and $113.6 million, respectively, of revenue from its arrangements with Janssen.

Cephalon

In June 2005 and October 2006, the Company entered into the Agreements and Amendments, respectively, with Cephalon to jointly develop, manufacture and commercialize extended-release forms of naltrexone, including VIVITROL (the "product" or "products"), in the U.S. Under the terms of the Agreements, the Company provided Cephalon with a co-exclusive license to use and sell the product in the U.S. and a non-exclusive license to manufacture the product under certain circumstances, with the ability to sublicense. The Company was responsible for obtaining marketing approval for VIVITROL in the U.S. for the treatment of alcohol dependence, which was received from the FDA in April 2006, for completing the first VIVITROL manufacturing line and manufacturing the product. The companies shared responsibility for additional development of the products, and also shared responsibility for developing the commercial strategy for the products. Cephalon had primary responsibility for the commercialization, including distribution and marketing, of the products in the U.S. and the Company supported this effort with a team of managers of market development. Cephalon paid the Company an aggregate of $274.6 million in nonrefundable milestone payments related to the Agreements and Amendments and the Company was responsible to fund the first $124.6 million of cumulative net losses incurred on the product.

In November 2008, the Company and Cephalon agreed to end the collaboration for the development, supply and commercialization of certain products, including VIVITROL in the U.S., effective on the Termination Date, and the Company assumed the risks and responsibilities for the marketing and sale of VIVITROL in the U.S. The Company paid Cephalon $16.0 million for title to two partially completed VIVITROL manufacturing lines, and the Company received $11.0 million from Cephalon as payment to fund their share of estimated VIVITROL product losses during the one-year period following the Termination Date.

As of the Termination Date, the Company was responsible for all VIVITROL profits or losses, net of $11.0 million Cephalon paid the Company to fund its share of estimated VIVITROL product losses during the one-year period following the Termination Date, and Cephalon has no rights to royalty payments on future sales of VIVITROL. In order to facilitate the full transfer of all commercialization of VIVITROL to the Company, Cephalon, at the Company's option, and on its behalf, has agreed to perform certain transition services until May 31, 2009 at an FTE rate agreed to by the parties.

During the years ended March 31, 2009, 2008 and 2007, the Company recognized $134.0 million, $27.7 million and $58.3 million, respectively, of revenue from its arrangements with Cephalon. During the year ended March 31, 2009, the Company recorded expense of $1.8 million related to certain transition services performed by Cephalon on its behalf.

Cilag GmbH International

In December 2007, the Company entered into a license and commercialization agreement with Cilag GmbH International ("Cilag"), an affiliate of Janssen, to commercialize VIVITROL for the treatment of alcohol dependence and opioid dependence in Russia and other countries in the Commonwealth of Independent States ("CIS"). Under the terms of the agreement, Cilag will have primary responsibility for securing all necessary regulatory approvals for VIVITROL and Janssen-Cilag, an affiliate of Cilag, will commercialize the product. The Company will be responsible for the manufacture of VIVITROL and will receive manufacturing revenue upon shipment of VIVITROL to Cilag and royalty revenues based upon Cilag product sales.

In December 2007, Cilag made a nonrefundable payment of $5.0 million to the Company upon signing the agreement and in August 2008, paid the Company an additional $1.0 million upon achieving regulatory approval of VIVITROL for the treatment of alcohol dependence in Russia. Cilag could pay the Company up to an additional $33.0 million upon the receipt of additional regulatory approvals for the product, the occurrence of certain agreed-upon events and levels of VIVITROL sales.

Commencing five years after the effective date of the agreement, Cilag will have the right to terminate the agreement at any time by providing 90 days prior written notice to the Company, subject to certain continuing rights and obligations between the parties. Cilag will also have the right to terminate the agreement upon 90 days advance written notice to the Company if a change in the pricing and/or reimbursement of VIVITROL in Russia and other countries of the CIS has a material adverse effect on the underlying economic value of commercializing the product such that it is no longer reasonably profitable to Cilag. In addition, either party may terminate the agreement upon a material breach by the other party which is not cured within 90 days advance written notice of material breach or, in certain circumstances, a 30 day extension of that period.

During the year ended March 31, 2009, the Company recognized $1.4 million of revenue from its arrangement with Cilag. There was no revenue recognized from this arrangement in the years ended March 31, 2008 and 2007.

Amylin

In May 2000, the Company entered into a development and license agreement with Amylin Pharmaceuticals, Inc. ("Amylin") for the development of exenatide once weekly, an injectable formulation of Amylin's BYETTA® ("exenatide"), which is under development for the treatment of type 2 diabetes. Pursuant to the development and license agreement, Amylin has an exclusive, worldwide license to the Company's Medisorb® technology for the development and commercialization of injectable extended-release formulations of exendins and other related compounds. Amylin has entered into a collaboration agreement with Eli Lilly and Company ("Lilly") for the development and commercialization of exenatide, including exenatide once weekly. The Company receives funding for research and development and milestone payments consisting of cash and

warrants for Amylin common stock upon achieving certain development and commercialization goals and will also receive royalty payments based on future product sales, if any. The Company is responsible for formulation and non-clinical development of any products that may be developed pursuant to the agreement and for manufacturing these products for use in clinical trials and, in certain cases, for commercial sale. Subject to its arrangement with Lilly, Amylin is responsible for conducting clinical trials, securing regulatory approvals and marketing any products resulting from the collaboration on a worldwide basis.

In October 2005, the Company amended its existing development and license agreement with Amylin, and reached agreement regarding the construction of a manufacturing facility for exenatide once weekly and certain technology transfer related thereto. In December 2005, Amylin purchased a facility for the manufacture of exenatide once weekly and began construction in early calendar year 2006. Amylin is responsible for all costs and expenses associated with the design, construction and validation of the facility. The parties have agreed that the Company will transfer its technology for the manufacture of exenatide once weekly to Amylin. Amylin agreed to reimburse the Company for any time, at an agreed-upon FTE rate, and materials the Company incurred with respect to the transfer of technology. In January 2009, the parties agreed that the technology transfer was complete. Amylin will be responsible for the manufacture of exenatide once weekly and will operate the facility. Amylin will pay the Company royalties for commercial sales of this product, if approved, in accordance with the development and license agreement.

Amylin may terminate the development and license agreement for any reason upon 90 days written notice to the Company if such termination occurs before filing a New Drug Application ("NDA") with the FDA for a product developed under the development and license agreement or upon 180 days written notice to the Company after such event. In addition, either party may terminate the development and license agreement upon a material default or breach by the other party that is not cured within 60 days after receipt of written notice specifying the default or breach.

During the years ended March 31, 2009, 2008 and 2007, the Company recognized $9.5 million, $32.9 million, and $19.3 million, respectively, of revenue from its arrangements with Amylin.

Lilly

AIR Insulin

On March 7, 2008, the Company received a letter from Lilly terminating the development and license agreement between Lilly and the Company dated April 1, 2001, as amended, relating to the development of inhaled formulations of insulin and other compounds potentially useful for the treatment of diabetes, based on the Company's proprietary AIR pulmonary technology. In June 2008, the Company entered into an agreement (the "AIR Insulin Termination Agreement") with Lilly whereby the Company received $40.0 million in cash as payment for all services we had performed through the date of the AIR Insulin Termination Agreement and title to the Lilly-owned manufacturing equipment located at the Company's AIR manufacturing facility. Upon entering into the AIR Insulin Termination Agreement, the license the Company granted to Lilly under the development and license agreement reverted to the Company.

AIR Parathyroid Hormone

On August 31, 2007, the Company received written notice from Lilly terminating the development and license agreement, dated December 16, 2005, between the Company and Lilly pursuant to which the Company and Lilly were collaborating to develop inhaled formulations of parathyroid hormone ("PTH"). This termination became effective 90 days after the receipt of the written notice. Upon the effective date of termination of the development and license agreement, the license the Company granted to Lilly under this agreement reverted to the Company.

During the years ended March 31, 2009, 2008 and 2007, the Company recognized $26.8 million, $54.6 million and $48.0 million, respectively, of revenue from its arrangements with Lilly.

Rensselaer Polytechnic Institute

In September 2006, the Company and Rensselaer Polytechnic Institute ("RPI") entered into a license agreement granting the Company exclusive rights to a family of opioid receptor compounds discovered at RPI. These compounds represent an opportunity for the Company to develop therapeutics for a broad range of diseases and medical conditions, including addiction, pain and other central nervous system disorders.

Under the terms of the agreement, RPI granted the Company an exclusive worldwide license to certain patents and patent applications relating to its compounds designed to modulate opioid receptors. The Company will be responsible for the continued research and development of any resulting product candidates. The Company paid RPI a nonrefundable upfront payment of $0.5 million and is obligated to pay annual fees of up to $0.2 million, and tiered royalty payments of between 1% and 4% of annual net sales in the event any products developed under the agreement are commercialized. In addition, the Company is obligated to make milestone payments in the aggregate of up to $9.1 million, upon certain agreed-upon development events. All amounts paid to RPI under this license agreement have been expensed and are included in research and development expenses. In July 2008, the parties amended the agreement to expand the license to include certain additional patent applications. The Company paid RPI an additional nonrefundable payment of $125,000 and slightly increased the annual fees in consideration of this amendment.

14. INCOME TAXES

The components of the Company's net deferred tax asset were as follows:

	March 31,	
	2009	2008
	(In thousands)	
Net operating loss ("NOL") carryforwards — federal and state	$ 36,403	$ 48,270
Tax benefit from the exercise of stock options	38,776	41,694
Tax credit carryforwards	19,274	18,425
Alkermes Europe, Ltd. NOL carryforward	5,531	7,764
Deferred revenue	1,772	47,063
Share-based compensation	12,256	10,347
Property, plant and equipment	(9,915)	(6,969)
Other	7,657	2,506
Less: valuation allowance	(111,754)	(169,100)
	$ —	$ —

As of March 31, 2009, the Company had approximately $222.4 million of federal domestic NOL carryforwards, $130.6 million of state NOL carryforwards and $19.8 million of foreign net operating loss and foreign capital loss carryforwards, which either expire on various dates through the year 2026 or can be carried forward indefinitely. These loss carryforwards are available to reduce future federal and foreign taxable income, if any. These loss carryforwards are subject to review and possible adjustment by the appropriate taxing authorities. These loss carryforwards, that may be utilized in any future period, may be subject to limitations based upon changes in the ownership of the Company's stock. The valuation allowance relates to the Company's U.S. NOL's and deferred tax assets and certain other foreign deferred tax assets and is recorded based upon the uncertainty surrounding their realizability, as these assets can only be realized to

offset profitable operations in the respective tax jurisdictions. In addition, the Company performed a detailed study of its NOL carryforwards to determine whether such amounts are limited under IRC Sec. 382. The Company does not believe the limitations will significantly impact its ability to offset income with available NOLs.

The Company records a deferred tax asset or liability based on the difference between the financial statement and tax bases of assets and liabilities, as measured by enacted tax rates assumed to be in effect when these differences reverse. In evaluating the Company's ability to recover its deferred tax assets, the Company considers all available positive and negative evidence including its past operating results, changes in the business in which the Company operates and its forecast of future taxable income. In determining future taxable income, the Company is responsible for assumptions utilized including the amount of state, federal and international pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates that the Company is using to manage the underlying businesses. As of March 31, 2009, the Company determined that it is more likely than not that the deferred tax assets will not be realized and a full valuation allowance has been recorded.

The tax benefit from stock option exercises included in the table above represents benefits accumulated prior to the adoption of SFAS No. 123(R) that have not been realized. Subsequent to the adoption of SFAS No. 123(R) on April 1, 2006, an additional $5.4 million of tax benefits from stock option exercises have not been recognized in the financial statements and will be once they are realized. In total, the Company has approximately $44.1 million related to certain operating loss carryforwards resulting from the exercise of employee stock options, the tax benefit of which, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of income tax.

In fiscal 2008, the Company concluded a comprehensive study of its historic research and development credit calculations. The Company determined that certain expenditures originally utilized in the calculations did not qualify as research and development charges for purposes of the credit. As a result, the Company reduced its federal and state research and development credit by $17.3 million and $1.6 million, respectively. This reduction did not have an impact on reported net income, as the write off of the asset was offset by the reversal of a valuation allowance which had been set up against the asset. The Company has yet to utilize any of its federal research credits and a full valuation allowance continues to be maintained against all of the Company's deferred tax assets. The reduction in the state credit amount did not result in any additional taxes.

The Company's provision for income taxes was comprised of the following:

	Year Ended March 31,		
	2009	2008	2007
		(In thousands)	
Current income tax expense:			
Federal	$ 483	$ 5,770	$ 1,098
State	24	81	—
Deferred income tax expense:			
Federal	—	—	—
State	—	—	—
Total tax provision	$ 507	$ 5,851	$ 1,098

The Company's current provision for federal income taxes in the amount of $0.5 million and $5.9 million for the years ended March 31, 2009 and 2008, respectively, represents alternative minimum tax ("AMT") due without regard to the cash benefit of excess share-based compensation deductions. The AMT paid creates a

credit carryforward and a resulting deferred tax asset, for which the Company has recorded a full valuation allowance. Included in the provision for income taxes for the year ended March 31, 2009 is a $0.3 million estimated benefit as a result of the recently enacted *Housing and Economic Recovery Act of 2008*. This legislation allows for certain taxpayers to forego bonus depreciation in lieu of a refundable cash credit based on certain qualified asset purchases.

No amount for U.S. income tax has been provided on undistributed earnings of the Company's foreign subsidiary because the Company considers such earnings to be indefinitely reinvested. In the event of distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes, subject to an adjustment, if any, for foreign tax credits and foreign withholding taxes payable to certain foreign tax authorities. Determination of the amount of U.S. income tax liability that would be incurred is not practicable because of the complexities associated with this hypothetical calculation, however, unrecognized foreign tax credit carryforwards may be available to reduce some portion of the U.S. tax liability, if any.

A reconciliation of the Company's federal statutory tax rate to its effective rate is as follows:

	Year Ended March 31,		
	2009	2008	2007
Statutory federal rate	34.0%	34.0%	34.0%
Research and development benefit	(0.5)%	—	(0.9)%
Share-based compensation	1.0%	1.5%	33.5%
Other permanent items	0.5%	0.4%	0.5%
Non-deductible interest	—	—	4.2%
True-up of prior year AMT liability	—	—	1.1%
Change in FIN No. 48 reserve	0.1%	0.1%	—
Change in valuation allowance	(34.7)%	(32.6)%	(62.0)%
Effective tax rate	0.4%	3.4%	10.4%

The Company adopted FIN No. 48 on April 1, 2007. The Company did not record any liabilities upon the implementation of FIN No. 48 due to historic loss carryovers. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Unrecognized Tax Benefits (In thousands)
Balance, April 1, 2007	$ —
Additions based on tax positions related to the current period	1,796
Balance, March 31, 2008	1,796
Additions based on tax positions related to prior periods	30
Balance, March 31, 2009	$ 1,826

The Company has an unrecognized tax benefit of $0.2 million at March 31, 2009, which is recorded as part of "Other Long-Term Liabilities" in the accompanying consolidated balance sheet. If the unrecognized tax benefit at March 31, 2009 is recognized, there would be no effect on the Company's effective income tax rate in any future period. The Company does not expect a significant increase in unrecognized tax benefits within the next twelve months.

The tax years 1993 through 2008 remain open to examination by major taxing jurisdictions to which the Company is subject, which are primarily in the U.S. as carryforward attributes generated in years past may

still be adjusted upon examination by the Internal Revenue Service or state tax authorities if they have or will be used in a future period. The Company has elected to include interest and penalties related to uncertain tax positions as a component of its provision for taxes. For the year ended March 31, 2009, the Company's accrued interest and penalties recorded in its consolidated financial statements was not significant.

15. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company leases certain of its offices, research laboratories and manufacturing facilities under operating leases with initial terms of one to twenty years, expiring through the year 2016. Certain of the leases contain provisions for extensions of up to ten years. These lease commitments are primarily related to the Company's corporate headquarters and manufacturing facilities in Massachusetts.

As of March 31, 2009, the total future annual minimum lease payments under the Company's non-cancelable operating leases are as follows:

	Payment Amount (In thousands)
Fiscal Years:	
2010	$ 10,233
2011	10,255
2012	10,322
2013	3,122
2014	722
Thereafter	1,264
	35,918
Less: estimated sublease income	(5,582)
Total future minimum lease payments	$ 30,336

Rent expense related to operating leases charged to operations was approximately $11.7 million, $11.9 million, and $11.5 million for the years ended March 31, 2009, 2008 and 2007, respectively. These amounts are net of sublease income of $1.7 million, $2.0 million and $1.6 million earned in the years ended March 31, 2009, 2008 and 2007, respectively.

In addition to its lease commitments, the Company has open purchase orders totaling $30.0 million at March 31, 2009.

License and Royalty Commitments

The Company has entered into license agreements with certain corporations and universities that require the Company to pay annual license fees and royalties based on a percentage of revenues from sales of certain products and royalties from sublicenses granted by the Company. Amounts paid under these agreements were approximately $0.9 million, $0.2 million and $0.8 million for the years ended March 31, 2009, 2008 and 2007, respectively, and were recorded as "Research and development" expenses in the consolidated statements of income and comprehensive income.

Litigation

From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of business. The Company is not aware of any such proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on its business, financial condition or results of operations.

ALKERMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

16. SUBSEQUENT EVENTS

In April 2009, the Company announced that it will move its corporate headquarters from Cambridge, Massachusetts to Waltham, Massachusetts, and entered into an operating lease agreement for this space. The lease term begins on the date the Company moves into the building, which is estimated to occur in early calendar 2010 and ends 10 years from the beginning of the lease term, with provisions for the Company to extend the lease term up to an additional 10 years. The Company's rent expense related to this new space will be approximately $2.7 million a year during the initial lease term.

In April 2009, in connection with the move of its corporate headquarters to Waltham, Massachusetts, the Company entered into an agreement to sublease its Cambridge, Massachusetts facility. The sublease agreement begins in phases beginning in August 2009 and will expire in June 2012. The Company estimates it will collect sublease rental income of approximately $14.8 million during the term of the sublease, which will partially offset $22.7 million of the Company's remaining lease obligations.

* * * * *

EXHIBIT INDEX

Exhibit No.	
3.1	Third Amended and Restated Articles of Incorporation as filed with the Pennsylvania Secretary of State on June 7, 2001. (Incorporated by reference to Exhibit 3.1 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2001 (File No. 001-14131).)
3.1(a)	Amendment to Third Amended and Restated Articles of Incorporation as filed with the Pennsylvania Secretary of State on December 16, 2002 (2002 Preferred Stock Terms). (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 16, 2002 (File No. 001-14131).)
3.1(b)	Amendment to Third Amended and Restated Articles of Incorporation as filed with the Pennsylvania Secretary of State on May 14, 2003. (Incorporated by reference to Exhibit A to Exhibit 4.1 to the Registrant's Report on Form 8-A filed on May 2, 2003 (File No. 000-19267).)
3.2	Second Amended and Restated By-Laws of Alkermes, Inc. (Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on September 28, 2005.)
4.1	Specimen of Common Stock Certificate of Alkermes, Inc. (Incorporated by reference to Exhibit 4 to the Registrant's Registration Statement on Form S-1, as amended (File No. 033-40250).)
4.2	Specimen of Non-Voting Common Stock Certificate of Alkermes, Inc. (Incorporated by reference to Exhibit 4.4 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1999 (File No. 001-14131).)
4.3	Rights Agreement, dated as of February 7, 2003, as amended, between Alkermes, Inc. and EquiServe Trust Co., N.A., as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Registrant's Report on Form 8-A filed on May 2, 2003 (File No. 000-19267).)
4.4	Indenture, dated as of February 1, 2005, between RC Royalty Sub LLC and U.S. Bank National Association, as Trustee. (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 3, 2005.)
4.5	Form of Risperdal Consta® PhaRMA℠ Secured 7% Notes due 2018. (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 3, 2005.)
10.1	Amended and Restated 1990 Omnibus Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1998 (File No. 001-14131).)+
10.2	Stock Option Plan for Non-Employee Directors, as amended. (Incorporated by reference to Exhibit 99.2 to the Registrant's Registration Statement on Form S-8 filed on October 1, 2003 (File No. 333-109376).)+
10.3	Lease, dated as of October 26, 2000, between FC88 Sidney, Inc. and Alkermes, Inc. (Incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2000 (File No. 001-14131).)
10.4	Lease, dated as of October 26, 2000, between Forest City 64 Sidney Street, Inc. and Alkermes, Inc. (Incorporated by reference to Exhibit 10.4 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2000 (File No. 001-14131).)
10.5	Lease Agreement, dated as of April 22, 2009 between PDM Unit 850, LLC, and Alkermes, Inc.#
10.6	License Agreement, dated as of February 13, 1996, between Medisorb Technologies International L.P. and Janssen Pharmaceutica Inc. (U.S.) (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.19 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1996 (File No. 000-19267).)*
10.7	License Agreement, dated as of February 21, 1996, between Medisorb Technologies International L.P. and Janssen Pharmaceutica International (worldwide except U.S.) (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.20 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1996 (File No. 000-19267).)*
10.8	Manufacturing and Supply Agreement, dated August 6, 1997, by and among Alkermes Controlled Therapeutics Inc. II, Janssen Pharmaceutica International and Janssen Pharmaceutica, Inc. (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.19 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2002 (File No. 001-14131).)***

Exhibit No.	
10.8(a)	Third Amendment To Development Agreement, Second Amendment To Manufacturing and Supply Agreement and First Amendment To License Agreements by and between Janssen Pharmaceutica International Inc. and Alkermes Controlled Therapeutics Inc. II, dated April 1, 2000 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.5 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.8(b)	Fourth Amendment To Development Agreement and First Amendment To Manufacturing and Supply Agreement by and between Janssen Pharmaceutica International Inc. and Alkermes Controlled Therapeutics Inc. II, dated December 20, 2000 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.4 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.8(c)	Addendum to Manufacturing and Supply Agreement, dated August 2001, by and among Alkermes Controlled Therapeutics Inc. II, Janssen Pharmaceutica International and Janssen Pharmaceutica, Inc. (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.19(b) to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2002 (File No. 001-14131).)***
10.8(d)	Letter Agreement and Exhibits to Manufacturing and Supply Agreement, dated February 1, 2002, by and among Alkermes Controlled Therapeutics Inc. II, Janssen Pharmaceutica International and Janssen Pharmaceutica, Inc. (assigned to Alkermes Inc. in July 2006). (Incorporated by reference to Exhibit 10.19(a) to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2002.)***
10.8(e)	Amendment to Manufacturing and Supply Agreement by and between JPI Pharmaceutica International, Janssen Pharmaceutica Inc. and Alkermes Controlled Therapeutics Inc. II, dated December 22, 2003 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.8 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.8(f)	Fourth Amendment To Manufacturing and Supply Agreement by and between JPI Pharmaceutica International, Janssen Pharmaceutica Inc. and Alkermes Controlled Therapeutics Inc. II, dated January 10, 2005 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.9 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.9	Agreement by and between JPI Pharmaceutica International, Janssen Pharmaceutica Inc. and Alkermes Controlled Therapeutics Inc. II, dated December 21, 2002 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.6 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.9(a)	Amendment to Agreement by and between JPI Pharmaceutica International, Janssen Pharmaceutica Inc. and Alkermes Controlled Therapeutics Inc. II, dated December 16, 2003 (assigned to Alkermes Inc. in July 2006) (with certain confidential information deleted). (Incorporated by reference to Exhibit 10.7 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2004.)****
10.10	Patent License Agreement, dated as of August 11, 1997, between Massachusetts Institute of Technology and Advanced Inhalation Research, Inc. (assigned to Alkermes, Inc. in March 2007), as amended. (Incorporated by reference to Exhibit 10.25 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 1999 (File No. 001-14131).)**
10.11	Employment agreement, dated as of December 12, 2007, by and between Richard F. Pops and the Registrant. (Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2007.)+
10.11(a)	Amendment to Employment Agreement by and between Alkermes, Inc. and Richard F. Pops. (Incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.12	Employment agreement, dated as of December 12, 2007, by and between David A. Broecker and the Registrant. (Incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2007.)+

Exhibit No.	
10.12(a)	Amendment to Employment Agreement by and between Alkermes, Inc. and David A. Broecker. (Incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.13	Form of Employment Agreement, dated as of December 12, 2007, by and between the Registrant and each of Kathryn L. Biberstein, Elliot W. Ehrich, M.D., James M. Frates, Michael J. Landine, Gordon G. Pugh. (Incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2007.)+
10.13(a)	Form of Amendment to Employment Agreement by and between Alkermes, Inc. and each of each of Kathryn L. Biberstein, Elliot W. Ehrich, M.D., James M. Frates, Michael J. Landine, Gordon G. Pugh. (Incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.14	Form of Covenant Not to Compete, of various dates, by and between the Registrant and each of Kathryn L. Biberstein and James M. Frates. (Incorporated by reference to Exhibit 10.15 to the Registrant's Report on Form 10-K for the year ended March 31, 2007.)+
10.14(a)	Form of Covenant Not to Compete, of various dates, by and between the Registrant and each of Elliot W. Ehrich, M.D., Michael J. Landine, and Gordon G. Pugh. (Incorporated by reference to Exhibit 10.15(a) to the Registrant's Report on Form 10-K for the year ended March 31, 2007.)+
10.15	License and Collaboration Agreement between Alkermes, Inc. and Cephalon, Inc. dated as of June 23, 2005. (Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 2005.)*****
10.15(a)	Supply Agreement between Alkermes, Inc. and Cephalon, Inc. dated as of June 23, 2005. (Incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 2005.)*****
10.15(b)	Amendment to the License and Collaboration Agreement between Alkermes, Inc. and Cephalon, Inc. dated as of December 21, 2006. (Incorporated by reference to Exhibit 10.16(b) to the Registrant's Report on Form 10-K for the year ended March 31, 2007.)******
10.15(c)	Amendment to the Supply Agreement between Alkermes, Inc. and Cephalon, Inc. dated as of December 21, 2006. (Incorporated by reference to Exhibit 10.16(c) to the Registrant's Report on Form 10-K for the year ended March 31, 2007.)******
10.16	Accelerated Share Repurchase Agreement, dated as of February 7, 2008, between Morgan Stanley & Co. Incorporated and Alkermes, Inc. (Incorporated by reference to Exhibit 10.17 to the Registrant's Report on Form 10-K for the year ended March 31, 2008.)
10.17	Alkermes, Inc. 1998 Equity Incentive Plan as Amended and Approved on November 2, 2006. (Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the fiscal quarter ended December 31, 2006.)+
10.17(a)	Form of Stock Option Certificate pursuant to Alkermes, Inc. 1998 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.37 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2006.)+
10.18	Alkermes, Inc. Amended and Restated 1999 Stock Option Plan. (Incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Form DEF 14/A filed on July 27, 2007.)+
10.18(a)	Form of Incentive Stock Option Certificate pursuant to the 1999 Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.35 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2006.)+
10.18(b)	Form of Non-Qualified Stock Option Certificate pursuant to the 1999 Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.36 to the Registrant's Report on Form 10-K for the fiscal year ended March 31, 2006.)+
10.19	Alkermes, Inc. 2002 Restricted Stock Award Plan as Amended and Approved on November 2, 2006. (Incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 10-Q for the fiscal quarter ended December 31, 2006.)+
10.19(a)	Amendment to Alkermes, Inc. 2002 Restricted Stock Award Plan. (Incorporated by reference to Appendix B to the Registrant's Definitive Proxy Statement on Form DEF 14/A filed on July 27, 2007.)+

Exhibit No.	
10.20	2006 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.4 to the Registrant's Report on Form 10-Q for the fiscal quarter ended September 30, 2006.)+
10.20(a)	Amendment to 2006 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix C to the Registrant's Definitive Proxy Statement on Form DEF 14/A filed on July 27, 2007.)+
10.21	Alkermes Fiscal 2008 Named-Executive Bonus Plan. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 26, 2007.)+
10.22	Alkermes Fiscal Year 2009 Reporting Officer Performance Pay Plan. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 16, 2008.)+
10.23	Alkermes, Inc., 2008 Stock Option and Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.23(a)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Stock Option Award Certificate (Incentive Stock Option) (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.23(b)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Stock Option Award Certificate (Non-Qualified Option) (Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.23(c)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Stock Option Award Certificate (Non-Employee Director) (Incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on October 7, 2008.)+
10.23(d)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Restricted Stock Unit Award Certificate (Time Vesting Only). (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 22, 2009.)+
10.23(e)	Alkermes, Inc. 2008 Stock Option and Incentive Plan, Restricted Stock Unit Award Certificate (Performance Vesting Only). (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 22, 2009.)+
21.1	Subsidiaries of the Registrant.#
23.1	Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP.#
23.2	Consent of Independent Registered Public Accounting Firm Deloitte & Touche LLP.#
24.1	Power of Attorney (included on signature pages).#
31.1	Rule 13a-14(a)/15d-14(a) Certification.#
31.2	Rule 13a-14(a)/15d-14(a) Certification.#
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.#

* Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted September 3, 1996. Such provisions have been filed separately with the Commission.

** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted August 19, 1999. Such provisions have been filed separately with the Commission.

*** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted September 16, 2002. Such provisions have been separately filed with the Commission.

**** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted September 26, 2005. Such provisions have been filed separately with the Commission.

***** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted July 31, 2006. Such provisions have been filed separately with the Commission.

****** Confidential status has been granted for certain portions thereof pursuant to a Commission Order granted April 15, 2008. Such provisions have been filed separately with the Commission.

\+ Indicates a management contract or any compensatory plan, contract or arrangement.

\# Filed herewith.

Exhibit 10.5

EXECUTION COPY
#42352696v5

LEASE

BETWEEN

PDM UNIT 850, LLC

AND

ALKERMES, INC.

FOR PREMISES LOCATED AT

850 AND 852 WINTER STREET

RESERVOIR WOODS, WALTHAM, MASSACHUSETTS

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LEASE

LEASE dated as of April 22, 2009, by and between PDM 850 Unit, LLC, a Delaware limited liability company (hereinafter called "Landlord"), and Alkermes, Inc., a Pennsylvania corporation (hereinafter called "Tenant").

Article 1.

Premises — Term of Lease

Section 1.01.Premises. Upon and subject to the conditions and limitations hereinafter set forth, Landlord does hereby lease and demise unto Tenant on an "as is" basis (except as otherwise expressly set forth herein) a portion of each of the lower level, first (including the main lobby and entryway serving the Premises), second, and third floors of a building with an address of 850 and 852 Winter Street, Waltham, Massachusetts and constructed substantially in accordance with the specifications attached asExhibit 1.01-3, subject to reasonably equivalent substitutions for materials described therein (such building being referred to herein as the "Building"), as such demised premises is more particularly described onExhibit 1.01-1 (the "Premises"), together with the right to use, in common with others, the walkways, driveways, parking areas, loading areas, and utility lines (including telecommunications lines) serving the Premises. The parties agree that the rentable area for the Premises is 100,235 rentable square feet, as measured in accordance with the measurement standard described onExhibit 1.01-4, attached.

The Building is a condominium unit within the Reservoir Woods Primary Condominium (the "Condominium"), a condominium created by Master Deed dated February 26, 2007, recorded in Book 49037, Page 229 of the Middlesex South Registry of Deeds, as amended. The Building and its undivided interest in the common elements of the Condominium are referred to herein as the "Property" and are more particularly described onExhibit 1.01-2. This Lease, and Tenant's leasehold interest in the Premises, are subject to the terms, covenants and conditions of agreements, easements and restrictions of record applicable to the Property, all of which Tenant shall perform and observe insofar as the same are applicable to the Premises; provided, however, that Tenant shall not be bound by any easements or restrictions made after the date of this Lease that materially and adversely affect Tenant's rights and obligations under this Lease unless and until Landlord has obtained Tenant's prior written consent. Landlord hereby represents and warrants that none of the existing agreements, easements and restrictions of record prohibit or restrict use of the Premises for the Permitted Uses.

The Premises exclude common areas and facilities of the Building, including without limitation exterior walls, roofs, the common stairways and stairwells, the parking garage, elevators and elevator wells, fan rooms, electric and telephone closets (other

than those exclusively serving the Premises, if any), janitor closets, freight elevators, 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; provided that, in any event, the designation of such common areas and facilities does not adversely affect the Premises, Tenant's use of the Premises, or access to the Premises in more than a de minimis manner. If the Premises include less than the entire rentable area of any floor, then the Premises also exclude the common corridors, common elevator lobby and common toilets located on such floor.

Section 1.02.Special Appurtenant Rights.

(a) Tenant shall, subject to reasonable closures for repairs and the like, casualty, and condemnation, have the appurtenant, non-exclusive right, in common with others, to use the common fitness center (subject only to nominal charges for use of basic services) and cafeteria (with associated patio area) located at the Building, in each case subject to reasonable rules established by Landlord from time to time pursuant to Section 5.04 of this Lease, and which services shall, subject to the matters set forth above, be available throughout the term of this Lease (the facilities referred to in this paragraph, collectively, the "Amenities").

Landlord and Tenant acknowledge that Landlord intends to retain a third-party vendor for the operation of the cafeteria in the Building. If the service provided by any third-party vendor operating the cafeteria from time to time is inconsistent with first-class standards for a suburban office, laboratory and research and development park in more than a de minimus manner, Tenant shall have the right to give Landlord written notice of such event with sufficient detail for Landlord to investigate the complaint. At the written request of Tenant, Landlord shall exercise its right to terminate the contract of such vendor, in which event Landlord shall use reasonable efforts to replace the applicable vendor with a substitute vendor experienced in operating similar facilities in first class suburban office, laboratory and research and development buildings, subject to Tenant's rights under the immediately preceding paragraph. Landlord shall consult with Tenant in the process of making menu selections for the cafeteria.

(b) So long as Landlord or an entity controlled by, under common control with, or controlling Landlord is the owner of the property known as 840 Winter Street, Waltham, Massachusetts (also known as "Healthpoint"), Tenant shall be entitled to the benefit of any discounted rates for the fitness facilities located at Healthpoint, if any, that are negotiated between Landlord and the owner of Healthpoint for the benefit of tenants at the Building.

(c) Tenant shall have the appurtenant, non-exclusive right, in common with others, to reasonably access any Building communication system serving the Premises (which access shall be reasonably coordinated and facilitated by Landlord) and the exclusive right and obligation to use and maintain the heating, ventilation and air-conditioning units installed on the roof and exclusively serving the second and third floors of the Premises, together with the rights to use the roof further described in Article 21, below.

(d) Landlord shall cooperate with Tenant during Tenant's design of the Finish Work to identify an appropriate portion or portions of the parking garage beneath the Building in which Tenant may install a pH neutralization system and other lab equipment and systems serving the Premises (such areas collectively being referred to as the "PH Rooms"). In no event shall the PH Rooms exceed 750 square feet in gross floor area in the aggregate. Landlord and Tenant shall enter into a written instrument identifying the location of the PH Rooms upon determining their location, in which event such areas shall be deemed to be appurtenant to the Premises and available for Tenant's exclusive use. If the location of the PH Rooms, as agreed to by Landlord, results in the loss of one or more parking spaces serving the Building, then such eliminated parking space(s) shall be counted towards Tenant's parking allocation under Section 20.10 of this Lease.

(e) Tenant shall, subject to reasonable closures for maintenance and repairs (for which Landlord shall provide Tenant with reasonable prior notice where feasible), casualty, and condemnation, have the appurtenant, exclusive right to use the two (2) elevators identified as "Tenant Exclusive Elevators" onExhibit 1.01-1 for access and egress to the Premises. Notwithstanding the foregoing, except for casualty or condemnation and subject to the provisions of Section 3.02, at least one of the Tenant Exclusive Elevators shall be available 24 hours per day, 365 days per year during the Term.

Section 1.03.Term Commencement. Tenant and Landlord acknowledge and agree that the Premises shall be delivered by Landlord in two phases: the first and third floor of the Premises and associated basement areas (the "Office Portion") shall be delivered first, and the second floor of the Premises and associated basement areas shall be delivered second (the "Lab Portion"; either the Office Portion or the Lab Portion being referred to herein as a "Portion").

(a) The term of this Lease for each Portion of the Premises shall commence on the earlier of (i) the Delivery Date (as defined below), or (ii) the date Tenant enters into possession of all or any substantial portion of such Portion for the conduct of its business (for the purposes of this Section 1.03, "conduct of its business" shall not include installation of furniture, fixtures, equipment, or the like). The date of commencement for each Portion as so determined is hereinafter referred to as the "Commencement Date." The term shall expire at 11:59 p.m. on the date (the "Expiration Date") that is the last day of the calendar month in which the 10th anniversary of the initial Rent Commencement Date (as defined in Section 2.01) occurs, unless extended or sooner terminated as hereinafter provided and shall include the period between the Commencement Date and the initial Rent Commencement Date. Landlord will provide Tenant with at least fourteen (14) days prior notice of each Delivery Date. If the Delivery Date designated in such notice does not occur on the initially designated date, Landlord shall keep Tenant informed of the anticipated Delivery Date and shall be required to give Tenant at least two (2) business days prior notice of the applicable Delivery Date as so extended.

The "Delivery Date" shall mean the date on which Landlord Substantially Completes the Landlord Work (as defined in Exhibit 7.02) for a Portion of the Premises and delivers such Portion to Tenant. The "Estimated Delivery Date" means December 1, 2009, with respect to the Office Portion and February 1, 2010, with respect to the Lab Portion, as such dates are extended for Tenant Delay

and matters described in Section 20.14. Landlord's failure to Substantially Complete the Finish Work and deliver the Premises on or before the applicable Estimated Delivery Date, for any reason, shall not give rise to any liability of Landlord hereunder, shall not constitute a Landlord's default, shall not affect the validity of this Lease, and shall have no effect on the beginning or end of the term of this Lease as otherwise determined hereunder or on Tenant's obligations associated therewith except that:

(i) if the Commencement Date for the Office Portion occurs more than 30 days after the Estimated Delivery Date for the Office Portion as it may be extended, then, as liquidated damages Tenant shall receive an abatement of Base Rent allocable to the Office Portion equal to (x) one day for each day following such 30-day period through the 60th day following the Estimated Delivery Date with respect to the Office Portion, and (y) two days for each day thereafter until the Commencement Date for the Office Portion occurs.

(ii) if the Commencement Date for the Lab Portion occurs more than 60 days after the Estimated Delivery Date for the Lab Portion as it may be extended, then, as liquidated damages Tenant shall receive an abatement of Base Rent allocable to the Lab Portion equal to (i) one day for each day following such sixty-day period through the 90th day following the Estimated Delivery Date with respect to the Lab Portion, and (ii) two days for each day thereafter until the Commencement Date for the Lab Portion occurs; and

(iii) Notwithstanding the foregoing, in the event that the Commencement Date for the Office Portion fails to occur within 135 days after the Estimated Delivery Date for the Office Portion, then Tenant shall have the one-time option to elect either to (A) terminate this Lease or (B) complete all of the Landlord Work at its sole cost and expense (except as set forth below) and in compliance with Article 8 hereof, in either case upon thirty (30) days prior written notice to Landlord; provided, however, that if the Commencement Date for the Office Portion occurs within such thirty (30) day period, then such election shall be of no force or effect. Notwithstanding anything to the contrary herein, if Tenant makes the election set forth in clause (B), above, then Tenant may apply any unused Finish Work Allowance towards any work undertaken pursuant to clause (B) pursuant to (and subject to the provisions of) Exhibit 7.02 and shall, to the extent not reimbursed through use of the Finish Work Allowance, have the right to reimbursement by Landlord (on 30 days prior notice) for Tenant's reasonable third party costs and expenses to complete such Landlord Work to the extent exceeding the amount of Excess Finish Work costs that Tenant would otherwise have incurred in the completion of such Landlord Work by Landlord; and

(iv) Notwithstanding the foregoing, in the event that the Commencement Date for the Lab Portion fails to occur within 135 days after the Estimated Delivery Date for the Lab Portion, then Tenant shall have the one time option to elect either to (A) terminate this Lease solely with respect to the Lab Portion of the Premises, or (B) complete the Landlord Work for the Lab Portion at its sole cost and expense (except as set forth below) and in compliance with Article 8 hereof, in either case upon thirty (30) days prior written notice to Landlord; provided, however, that if the Commencement Date for the Lab Portion occurs within such thirty (30) day

period, then such election shall be of no force or effect. In the event that Tenant makes the election set forth in (A), above, then the Lab Portion (which the parties agree consists of 33,443 rentable square feet) shall be deemed to be removed from the Premises and the Base Rent, Tenant's Pro Rata Share, Finish Work Allowance and any other rights under this Lease that are expressly derived on a per-square-foot basis shall be adjusted accordingly. Notwithstanding anything to the contrary herein, if Tenant makes the election set forth in clause (B), above, then Tenant may apply any unused Finish Work Allowance towards any work undertaken pursuant to clause (B) to the extent elected by Tenant pursuant to (and subject to the provisions of)Exhibit 7.02 and shall, to the extent not reimbursed through use of the Finish Work Allowance, have the right to reimbursement by Landlord (on 30 days prior notice) for Tenant's reasonable third party costs and expenses to complete such Landlord Work to the extent exceeding the amount of Excess Finish Work costs that Tenant would otherwise have incurred in the completion of such Landlord Work by Landlord.

(v) In connection with the exercise of this Lease, Landlord has provided Tenant with a guaranty from The Prudential Insurance Company of America, acting solely on behalf of or for the benefit of its insurance company separate account PRISA II, in the form attached as Exhibit 1.03.

The remedies set forth in this Section 1.03(a) are Tenant's sole and exclusive remedies, at law or in equity, with respect to Landlord's timely delivery of the Premises and timely Substantial Completion of the Landlord Work.

(b) Tenant and Landlord agree to execute an agreement in recordable form identifying the actual Commencement Dates, the Rent Commencement Dates, and the Expiration Date, but a failure to execute such an agreement shall not affect the commencement or expiration of the term of this Lease.

THIS LEASE IS MADE UPON THE COVENANTS, AGREEMENTS, TERMS, PROVISIONS, CONDITIONS AND LIMITATIONS SET FORTH HEREIN, ALL OF WHICH TENANT AND LANDLORD EACH COVENANT AND AGREE TO PERFORM AND COMPLY WITH, EXCEPTING ONLY AS TO THE COVENANTS OF THE OTHER:

Article 2.

Rent

Section 2.01.Base Rent. (a) The "Rent Commencement Date" shall mean, respectively, (x) the date that is six months after the Commencement Date for the Office Portion and (y) the date that is five months month after the Commencement Date for the Lab Portion. Beginning on the Rent Commencement Date for the applicable Portion, and on the first day of each month thereafter, the Tenant shall pay the Landlord base rent ("Base Rent") in equal monthly installments, in advance, pursuant to the following schedule:

Period	Annual Base Rent for the entire Premises*	Annual Base Rent Per Rentable Square Foot	Monthly Base Rent for the entire Premises*
From the Rent Commencement Date through the last day of the 42nd calendar month	$2,505,875.00	$ 25.00	$208,822.92
From the first day of the 43rd calendar month through the last day of the 78th calendar month	$2,706,345.00	$ 27.00	$225,528.75
From the first day of the 79th calendar month through the expiration of the term of this Lease	$2,936,885.50	$ 29.30	$244,740.46

* In the event that the Office Portion and Lab Portion Rent Commencement Dates do not occur on the same day, the Annual Base Rent and Monthly Base Rent shall be apportioned accordingly (e.g. 66.6% of the Annual Base Rent is allocable to the Office Portion and 33.4% is allocable to the Lab Portion).

If any Rent Commencement Date is other than the first day of the month, then, with respect to the partial month following such Rent Commencement Date, Tenant shall pay to Landlord on the applicable Rent Commencement Date a pro-rated share of the Base Rent that would have otherwise been payable for such month (based on the number of days remaining in such month) had such Rent Commencement Date occurred on the first day of such month.

Section 2.02. Additional Rent for Operating Expenses and Taxes.

(a) Commencing on the Commencement Date for each Portion of the Premises, Tenant shall pay as Additional Rent to Landlord Tenant's Pro Rata Share of Taxes (as defined below) and Tenant's Pro Rata Share of all Operating Expenses (as defined below). If at any time within any calendar year, less than 95% of the rentable space of the Building or Property is leased and occupied under agreements for which the lease term has commenced, Operating Expenses that vary with such occupancy for that calendar year during the term of this Lease shall be computed and adjusted upward so that Operating Expenses shall at all times equal the greater of (i) actual Operating Expenses or (ii) an amount extrapolated as if the Building or Property, as applicable, were ninety-five (95%) leased.

Additional Rent computed under this Section 2.02 shall be prorated should this Lease commence or terminate before: (i) the end of any fiscal tax year for that portion related to Taxes; or (ii) the end of any calendar year for that portion related to Operating Expenses. Tenant shall make monthly payments of Additional Rent, in advance, on the applicable Commencement Date and the first of each month thereafter equal to one-twelfth (1/12) of the annual amount of such Additional Rent reasonably projected by Landlord to be due from Tenant (pro-rated for any partial month at the beginning or end of the term) from time to time. Tenant's monthly payments may be reasonably revised by Landlord from time to time so that Tenant's aggregate monthly payments shall equal the Additional Rent then projected to be due for the year in question. A final accounting and payment for each real estate tax and operating period shall be made within thirty (30) days after written notice from Landlord of the exact amount of such Additional Rent for the fiscal tax year or calendar year in question (each, a "Reconciliation Notice "), which notice Landlord shall endeavor to deliver to Tenant within ninety (90) days after the end of each fiscal tax year or calendar year, as applicable, and, in any event, Landlord shall deliver within 270 days after the end of each fiscal tax year or calendar year, as applicable. Landlord's statements of Additional Rent for Operating Expenses and Taxes shall be conclusive and binding on Tenant unless disputed within six months after the respective year-end statements are issued. In the event that the Additional Rent due with respect such period is finally determined to be less than the Additional Rent paid by Tenant on account of Landlord's projection of Additional Rent, Landlord shall credit the difference against the next installment of Rent coming due under this Lease or, if no such installment is coming due, then Landlord shall promptly refund such difference. In the event Taxes for the Premises, based upon which Tenant shall have paid Additional Rent, are subsequently reduced or abated, Tenant shall be entitled to receive its allocable share of the amount abated, provided that the amount of the rebate allocable to Tenant shall in no event exceed the amount of Additional Rent paid by Tenant for such fiscal year on account of Taxes under this Section 2.02, and further provided the rebate allocable to Tenant shall be reduced by its allocable share of the reasonable cost of obtaining such reduction or abatement not otherwise paid by Tenant. The obligations of this paragraph shall survive the expiration of the Lease.

"Tenant's Pro Rata Share" is calculated by dividing the rentable square foot area of the Premises by the rentable square foot area of the Building, as of the date of the computation. Tenant's Pro Rata Share is initially 37.1% for the Office Portion and 55.7% for the entire Premises and is subject to adjustment if the rentable square footages of the Premises changes on account of any

amendment to the Lease or the Building changes on account of any remeasurement, reconstruction or expansion by Landlord. The Building consists of 180,039 rentable square feet, subject to adjustment pursuant to the immediately preceding sentence.

(b) "Operating Expenses" for the purpose of this Section shall mean:

(1) All expenses incurred by the Landlord or its agents which shall be directly related to employment of day and night supervisors, janitors, handymen, engineers, mechanics, electricians, plumbers, porters, cleaners, accounting and management personnel, and other personnel (including amounts incurred for wages, salaries and other compensation for services, payroll, social security, unemployment and similar taxes, workmen's compensation, insurance, disability benefits, pensions, hospitalization, retirement plans and group insurance, uniforms and working clothes and the cleaning thereof, and expenses imposed on the Landlord or its agents pursuant to any collective bargaining agreement), for services in connection with the operation, management, repair, maintenance, cleaning and protection of the Property and appurtenant common areas and facilities serving the Premises in a manner customarily provided to first class suburban mixed use office, laboratory and research and development parks in the suburban Boston area including without limitation repair and maintenance and providing the services required by this Lease, and, subject to clause (c)(1) below, personnel engaged in supervision of any of the persons mentioned above (collectively the "Operation of the Property");

(2) The cost of services, materials and supplies furnished or used in the Operation of the Property;

(3) The cost of replacements for tools and equipment used in the Operation of the Property;

(4) Commercially reasonable management fees paid to managing agents and for reasonable legal and other professional fees relating to the Operation of the Property, but excluding legal and other professional fees paid in connection with negotiation, administration or enforcement of leases; provided, however, that so long as an affiliate of the Landlord manages the Property, management fees for the Property shall not exceed the greater of $75,000 or three percent (3%) of the gross income from tenants of the Property (including Base Rent and all Additional Rent) computed on an annual basis plus reimbursements;

(5) Insurance premiums in connection with the Operation of the Property, including without limitation for such insurance coverages and amounts as Landlord or its mortgagees may require from time to time;

(6) The costs of plowing and snow removal, maintaining landscaping and storm water drainage systems, maintaining parking garages, other parking areas, driveways, roadways, light poles, entry areas, and loading docks in good repair reasonably free of snow and ice (costs for shared facilities shall be allocated as set forth in clause 8 below), and the cost to provide the shuttle services described inExhibit 3.02;

(7) Amounts paid to independent contractors for services, materials and supplies furnished for the Operation of the Property;

(8) Condominium assessments and charges;

(9) All other expenses incurred in connection with the Operation of the Property, including expenditures for maintenance and repairs that are classified as capital expenditures in accordance with generally accepted accounting principles, consistently applied, and for capital improvements and replacements that (A) will, in Landlord's reasonable estimate, result in a reduction in Operating Expenses payable by Tenant (but only to the extent of such reduction) or (B) are required by changes in law occurring after the first Delivery Date to occur or enforcement of laws not generally occurring on such Delivery Date) to the extent not otherwise excluded as Operating Expenses, phone charges, travel (to the extent related to the performance of services included in Operating Expenses), costs of customary waste and recyclables removal, security and life safety systems testing, common area electricity and cleaning, and utilities, any expenses in the nature of common area charges for operation, maintenance and repair of driveways, parking garages, if any, and other facilities or services shared with other buildings or premises, and any condominium common expenses assessed against a condominium unit comprising the Premises. Any capital expenditures included in Operating Expenses pursuant to this paragraph shall be amortized on a straight line basis over the useful life of the item in question, as determined by Landlord using generally accepted accounting principles, consistently applied, together with interest at Landlord's actual interest rate incurred in financing such capital improvements, or, if no part of such expenditure is financed, at an imputed interest rate equal to the prime rate of interest as reported by Bank of America, N.A., plus three (3%) percent; and

(10) Costs incurred in connection with the operation of the common fitness room and cafeteria, except to the extent covered by fees for use of such facilities.

(c) Operating Expenses shall be computed on an accrual basis and shall be determined in accordance with generally accepted accounting principles consistently applied. They must be actually incurred, but may be incurred directly or by way of reimbursement, and shall include taxes applicable thereto. The following shall be excluded from Operating Expenses:

(1) Salaries and related benefits or any portion thereof for officers and executives of the Landlord or Landlord's managing agent above the level of property manager.

(2) Depreciation of the Premises or any improvements thereon.

(3) Interest and amortization on indebtedness (except as expressly provided above).

(4) Expenses for which the Landlord, by the terms of this Lease or otherwise, makes a separate charge.

(5) The cost of any electric current or other utilities or services paid for by the Tenant or by other tenants as a separate charge.

(6) Leasing fees or commissions.

(7) Repairs or other work occasioned by the exercise of right of eminent domain.

(8) Renovating or otherwise improving or decorating, painting or redecorating space for tenants or other occupants or vacant tenant space, other than maintenance and repairs required by this Lease and work in common areas.

(9) Landlord's costs of utilities and other services sold separately to tenants for which Landlord is entitled to be reimbursed by such tenants as a separate charge over and not as part of the base rent, operating expense, or other rental amounts payable under the lease with such tenant.

(10) Expenses in connection with services or other benefits of a type which Tenant is not entitled to receive under the Lease but which are provided to another tenant or occupant.

(11) Expenses, including rental, created under any ground or underlying leases.

(12) Any particular items and services for which a tenant otherwise reimburses Landlord by direct payment over and above the base rent, operating expenses and other rental amounts payable under the applicable lease.

(13) Any expense for which Landlord is compensated through proceeds of insurance, condemnation or otherwise.

(14) Expenses for periods of time not included within the term of this Lease.

(15) Expenses that are considered capital improvements and replacements under generally accepted accounting principles, except to the extent expressly permitted pursuant to clause (b)(9), above.

(16) Cost of rebuilding after casualty or taking, other than insurance deductibles.

(17) All Operating Expenses shall be reduced by the amount (net of collection costs) of any insurance reimbursement, discount or allowance received by the Landlord in connection with such costs.

(18) Costs incurred in the acquisition and development of the Property including the correction of any defective Base Building Work.

(19) Environmental testing, and the cost of complying with applicable federal, state and local laws, regulations and rules dealing with handling, storage and disposal of Hazardous Materials (other than those ordinarily found or used in the customary operation of first class office buildings), including clean up costs, and any related matters, except in each case to the extent caused by Tenant or any party for whom Tenant is legally responsible.

(20) That portion of employee expenses allocable to work that is not for the benefit of the Property or common areas and facilities serving the same; if employees work at more than one location, their compensation and other labor costs shall be properly allocated.

(21) Administrative fees and compensation for Landlord's and managing agent's general administrative staff, to the extent not directly attributable to the management, operation, maintenance and repair of the Property or common areas and facilities serving the Property (other than the management fee referred to in subsection (b)(4), above).

(22) Franchise or income taxes imposed on Landlord.

(23) Costs incurred by Landlord as a result of any violation by Landlord or any other tenant of the terms and conditions of any lease of space.

(24) Costs related to maintaining Landlord's existence, either as a corporation, partnership, or other entity, or costs incurred by Landlord relative to any debt that encumbers the Property (by example these costs shall include, but not be limited to income tax return preparation, filing costs, legal costs, etc.).

(25) Costs arising from Landlord's charitable contributions not to exceed $500 per year (such amount to be increased, but never decreased, annually in proportion to any increase in the Consumer Price Index — All Urban Consumers for the Boston Metropolitan area published by the U.S. Department of Labor or a comparable index reasonably selected by Landlord (such index being referred to herein as the "CPI")).

(26) Costs for reserves of any kind.

(27) Costs incurred in connection with Building events for tenants, including, but not limited to, tenant parties, holiday gifts and tenant welcoming gifts.

(28) Costs for any services to the Premises that are assumed by Tenant pursuant to Section 3.03 of this Lease, whether provided to Tenant or to other tenants of the Building in their premises.

(29) Costs of audited financial statements, but only to the extent the same is in excess of $15,000 in any single lease year (such amount to be increased, but never decreased, annually in proportion to any increase in the CPI).

(d) "Taxes" means all taxes, assessments, betterments, excises, user fees imposed by governmental authorities, 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), assessed or imposed against the Building or the Property (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. Notwithstanding anything to the contrary herein, Taxes shall exclude (a) any land acquisition costs, and any other fee, cost or tax (other than increases in real property taxes resulting from reassessments of the Property) associated with the development or construction of the Property and (b) any interest or penalties for late payments to the extent relating to a period in which Tenant was not in default of its obligations to pay Tenant's Pro Rata Share of Taxes, and (c) any income, capital levy, transfer, capital stock, gift, estate or inheritance tax. The amount of any special taxes, special assessments and agreed or governmentally imposed "in lieu of tax" or similar charges shall be included in Taxes for any year but shall be limited to the amount of the installment (plus any interest, other than penalty interest, payable thereon) of such special tax, special assessment or such charge required to be paid during or with respect to the year in question. Betterments and assessments, whether or not paid in installments, shall be included in Taxes in any tax year as if the betterment or assessment were paid in installments over the longest period permitted by law, together with the interest thereon charged by the assessing authority for the payment of such betterment or assessment in installments.

If during the term of this Lease 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 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 this 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, but only to the extent that the same would be payable if the Property were the only property of Landlord. Taxes shall also include expenses, including reasonable 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 of this

Lease, whether or not successful and whether or not such efforts involved filing of actual abatement applications or initiation of formal proceedings.

(e) Tenant shall have the right for a period of ninety (90) days (the "Audit Period") following its receipt of Landlord's statement of Additional Rent due on account of Operating Expenses to examine and copy Landlord's books and records concerning Operating Expenses for the calendar year covered by such statement in the offices of the property manager or another location reasonably designated by Landlord in the greater Boston area, so long as Tenant pays any amount billed by Landlord on account of Additional Rent without protest (but subject to Tenant's right to recover any overpayments pursuant to this paragraph). Tenant's audit may be conducted by its employees or its designated accountants, provided that the accountants must be employed on a regular fee for services basis and not on a contingency fee basis. If, by notice to Landlord given after such examination but during the Audit Period (which notice shall be accompanied by documentation evidencing the results of Tenant's audit to Landlord's reasonable satisfaction), Tenant disputes the amount of Additional Rent for Operating Expenses shown on the statement, then Tenant may request that the amount of Additional Rent for Operating Expenses for the year in question be determined by an audit conducted by a certified public accountant reasonably selected by both parties, provided that if the parties are unable so to agree on an accountant within ten (10) days after receipt of Tenant's notice, then within twenty (20) days after Tenant's notice is given Tenant may submit the dispute for determination by an arbitration conducted by a single arbitrator in the Boston Office of the American Arbitration Association ("AAA") in accordance with the AAA's Commercial Arbitration Rules. The arbitrator shall be selected by the AAA and shall be a certified public accountant with at least ten (10) years of experience in auditing mixed use office, laboratory and research and development buildings in the suburban Boston area. The cost of the accountant selected by both parties, and the arbitrator, if applicable, shall be shared equally by the parties. Tenant and each person reviewing Landlord's books and records or participating in the arbitration shall agree in an instrument prepared by Landlord that all information obtained from Landlord's books and records shall be kept confidential and used only for the purpose of determining amounts properly due under this Lease. If the Additional Rent due is finally determined to be less than the Additional Rent paid by Tenant on account of Landlord's calculation of Operating Expenses, Landlord shall either promptly refund to Tenant the difference or credit same against Rent next due from Tenant. If the Additional Rent due was less than ninety-five percent (95%) of the Additional Rent paid by Tenant on account of Landlord's calculation of Operating Expenses, Landlord shall reimburse Tenant for the reasonable third-party costs of reviewing Landlord's books and records, but in any event not to exceed $4,000 (such amount to be increased, but never decreased, annually in proportion to any increase in the CPI).

(f) Operating Expenses which are incurred jointly for the benefit of the Building and another building or premises shall be allocated between the Building and the other building or premises in accordance with the ratio of their respective rentable areas calculated using a consistent methodology, unless Landlord reasonably determines that the other building or premises is used for a purpose materially different than the Building or that the Operating Expense in question results from a service provided or used in a materially disproportionate manner, in which case the affected cost items shall be allocated on a reasonable basis by

Landlord. Landlord may elect to allocate Operating Expenses separately among tenants with different use categories in the Building from time to time based on such factors as the Landlord reasonably determines (rather than on a proportionate basis based on square feet) if Landlord reasonably determines it is necessary to fairly allocate the Operating Expenses. If the Building and the land appurtenant thereto are not assessed as a separate tax parcel, then real estate taxes shall be allocated between the Building and the balance of the tax parcel based on the factors taken into account by the municipal tax assessor or such other reasonable method as Landlord may elect, which may be based on the relative square footages of the buildings and their use or may be in accordance with the ratio of their respective fair market values**.** In the event of a dispute concerning the allocation of Operating Expenses or Taxes, then the matter shall be submitted by Landlord and Tenant for resolution by arbitration in accordance with the procedures set forth in Section 2.02(e).

Section 2.03.Payment of Rent. The term "Additional Rent" shall mean all amounts due under Section 2.02 for Operating Expenses and Taxes, and all other amounts (except Base Rent) to be paid by Tenant to Landlord in accordance with the terms of this Lease, including without limitation payments to Landlord for reimbursement of any costs expended upon an Event of Default by Tenant. The term "Rent" shall mean Base Rent and Additional Rent. All payments of Rent shall be made without set-off, deduction or offset except as expressly provided in this Lease. All payments of Rent shall be made to the Landlord at c/o Davis Marcus Management, One Appleton Street, Boston, Massachusetts 02116, Attn: Larry Lenrow, or as may be otherwise directed by the Landlord in writing, which may include a direction to pay by wire transfer to an account specified by Landlord. 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 provided in Article 11, any casualty or taking, or any failure by Landlord to perform or other occurrence; and, except as expressly provided in this Lease, Tenant assumes the risk of the foregoing and waives all rights now or hereafter existing to quit or surrender the Premises or any part thereof, to terminate or cancel this Lease, or to assert any defense in the nature of constructive eviction to any action seeking to recover rent. Subject to the provisions of this Lease, however, Tenant shall have the right to injunctive relief or to seek judgments for direct money damages occasioned by Landlord's breach of its Lease covenants.

Section 2.04.Rent from Real Property. It is intended that all Rent payable by Tenant to Landlord, which includes all sums, charges, or amounts of whatever nature to be paid by Tenant to Landlord in accordance with the provisions of this Lease, shall qualify as "rents from real property" within the meaning of both Sections 512(b)(3) and 856(d) of the Internal Revenue Code of 1986, as amended (the "Code") and the U.S. Department of Treasury Regulations promulgated thereunder (the "Regulations"). If Landlord, in its sole discretion, determines that there is any risk that all or part of any Rent shall not qualify as "rents from real property" for the purposes of Sections 512(b)(3) or 856(d) of the Code and the Regulations, Tenant agrees (i) to cooperate with Landlord by entering into such amendment or amendments to this Lease as Landlord reasonably deems necessary to qualify all Rent as "rents from real property," and (ii) to permit an assignment of this Lease; provided, however, that any adjustments required under this section shall be made so as to produce the equivalent (in economic terms) Rent as payable before the adjustment.

Section 2.05.Security Deposit. On or before April 27, 2009, Tenant shall deliver to Landlord as security for the performance of the obligations of Tenant hereunder a letter of credit in the initial amount of $1,000,000 (the "Letter of Credit Amount") in accordance with this Section 2.05 (as renewed, replaced, increased and/or reduced pursuant to this Section 2.05, the "Letter of Credit"). Tenant's failure to timely deliver the Letter of Credit to Landlord, or increase the amount of the Letter of Credit as required under this Section 2.05, at any time pursuant to this Section 2.05 shall constitute an Event of Default under this Lease, without any notice or cure period under Article 14. The Letter of Credit (i) shall be irrevocable and shall be issued by a commercial bank reasonably acceptable to Landlord that has an office for presentment in the City of Waltham or City of Boston, in the form attached asExhibit 2.05 or such other substantially similar form as is reasonably acceptable to Landlord, (ii) shall require only the presentation to the issuer of a certificate of the holder of the Letter of Credit stating that Landlord is entitled to draw on the Letter of Credit pursuant to the terms of this Lease, (iii) shall be payable to Landlord or its successors in interest as the Landlord and shall be freely transferable without cost to Landlord, any such successor or any lender holding a collateral assignment of Landlord's interest in the Lease, (iv) shall be for an initial term of not less than one year and contain a provision that such term shall be automatically renewed for successive one-year periods unless the issuer shall, at least 45 days prior to the scheduled expiration date, give Landlord notice of such non-renewal, and (v) shall otherwise be in form and substance reasonably acceptable to Landlord. Landlord acknowledges that, as of the date of this Lease, Bank of America is an approved issuer of the Letter of Credit. Notwithstanding the foregoing, the term of the Letter of Credit for the final period shall be for a term ending not earlier than the date sixty (60) days after the last day of the Term. Tenant acknowledges that Landlord may be required to pledge the proceeds of the Letter of Credit to any lender holding a collateral assignment of Landlord's interest in the Lease and agrees to provide Landlord with such documentation as Landlord may reasonably request, and to cooperate with Landlord as is necessary, to evidence the consent to such pledge by the issuer of the Letter of Credit.

(a) The Letter of Credit Amount shall be increased by Tenant (via amendment to the then-existing Letter of Credit or by supplying Landlord with a replacement Letter of Credit) by the amount of $1,500,000 if Tenant fails, at any time during the term of this Lease, to meet the Financial Test (as hereinafter defined). The "Financial Test" shall mean that Tenant has unrestricted cash and cash equivalents, as determined in accordance with generally accepted accounting principles, consistently applied, equal to at least $50,000,000 in United States dollars. If, at any time after the Letter of Credit is increased pursuant to the foregoing, Tenant subsequently meets the Financial Test for three complete calendar quarters in a row and reasonably evidences the same to Landlord, then, provided that Tenant is not then in default beyond applicable notice or cure periods and no Bankruptcy Event (as defined below) is then in effect, Tenant shall be entitled to reduce the Letter of Credit by the amount of $1,500,000 (but to an amount equal to no less than $1,000,000) until such time, if any, that Tenant subsequently fails to meet the Financial Test. A "Bankruptcy Event" shall mean that Tenant files a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, shall file any petition or answer seeking any reorganization, arrangement, composition, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or shall seek, or consent, or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant of all or any substantial part of their respective

properties, or of the Premises, or shall make any general assignment for the benefit of creditors; or any court enters an order, judgment or decree approving a petition filed against Tenant seeking any reorganization, arrangement, composition, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors.

Landlord shall be entitled to draw upon the Letter of Credit in part or for its full amount, as Landlord may elect (i) if an Event of Default is then continuing (or if Tenant has failed to timely pay rent or perform any of its other obligations under the Lease and transmittal of a default notice or running of any cure period is barred or tolled by applicable law), (ii) if, not less than 30 days before the scheduled expiration of the Letter of Credit, Tenant has not delivered to Landlord a new Letter of Credit in accordance with this Section 2.05 (which failure shall be deemed a default without notice or cure period) or (iii) if the credit rating of the long-term debt of the issuer of the Letter of Credit (according to Moody's or similar national rating agency) is downgraded to a grade below investment rate), or if the issuer of the Letter of Credit shall enter into any supervisory agreement with any governmental authority, or if the issuer of the Letter of Credit shall fail to meet any capital requirements imposed by applicable law. Landlord may, but shall not be obligated to, apply the amount so drawn to the extent necessary to cure an Event of Default under the Lease and/or make any payments due to Landlord hereunder on account of such Event of Default including without limitation any unpaid Rent, any damages arising from a termination of this Lease in accordance with its terms, and for any damages arising from any rejection of this Lease in a bankruptcy proceeding commenced by or against Tenant. Any amount drawn in excess of the amount applied by Landlord pursuant to the immediately preceding sentence shall be held by Landlord as a security deposit for the performance by Tenant of its obligations hereunder. Said security deposit may be mingled with other funds of Landlord, and no fiduciary relationship shall be created with respect to such deposit, nor shall Landlord be liable to pay Tenant interest thereon. If Tenant shall fail to perform any of its obligations under this Lease, Landlord may, but shall not be obliged to, apply the security deposit to the extent necessary to cure the Event of Default and/or make any payments due to Landlord hereunder on account of such Event of Default. After any such application by Landlord of the Letter of Credit or security deposit, Tenant shall reinstate the Letter of Credit to the amount then required to be maintained hereunder, upon demand (and, upon such reinstatement, Landlord shall return any cash security deposit then being held by Landlord to Tenant). Within forty-five (45) days after the expiration or sooner termination of the Term the Letter of Credit and any security deposit, to the extent not applied, shall be returned to the Tenant, without interest. For purposes of this Section 2.05, an Event of Default shall also include any default that is prevented or delayed from ripening into an Event of Default due to Landlord's inability to give any required notice or the tolling of any grace or cure period caused by any stay or injunction arising from the bankruptcy of Tenant.

In the event of a sale of the Property or lease, conveyance or transfer of the Property, Landlord shall have the right to transfer the security to the transferee ("New Landlord") and Landlord shall thereupon be released by Tenant from all liability for the return of such security; and Tenant agrees to look to the New Landlord solely for the return of said security. The provisions hereof shall apply to every transfer or assignment made of the security to a New Landlord. Tenant further covenants that it will not assign or encumber

or attempt to assign or encumber the Letter of Credit or the monies deposited herein as security, and that neither Landlord nor its successors or assigns shall be bound by any assignment, encumbrance, attempted assignment or attempted encumbrance

Article 3.

Utility Services

Section 3.01.Electricity. From and after the Commencement Date for each Portion of the Premises, Tenant agrees to pay, or cause to be paid, as Additional Rent, all charges for electricity consumed in the applicable Portion of the Premises (or by any special facilities serving the Premises). Tenant will comply with all contracts relating to any such services. Tenant's charges for such utility usage shall be based upon Tenant's actual usage as determined by Landlord's reading of check-meters serving the Premises provided as part of the Finish Work. Tenant shall make monthly payments of Additional Rent on account of electricity, in advance, on the applicable Commencement Date and the first of each month thereafter equal to one-twelfth (1/12) of the annual amount of such Additional Rent reasonably projected by Landlord, based upon prior usage at the relevant building or as projected by Landlord's engineer, to be due from Tenant (pro-rated for any partial month at the beginning or end of the term) from time to time. Tenant's monthly payments may be reasonably revised by Landlord from time to time so that Tenant's aggregate monthly payments shall equal the Additional Rent then projected to be due for the year in question. Landlord shall provide Tenant with a statement showing Tenant's actual usage of electricity based on the reading of Tenant's check-meters no less often than annually. If the Additional Rent due for electricity is less than the Additional Rent for electricity paid by Tenant on account of Landlord's calculation of estimated electrical charges, Landlord shall either promptly refund to Tenant the difference or credit same against Rent next due from Tenant. If the Additional Rent due for electricity is more than Landlord's calculation of estimated electrical charges, Tenant shall pay such amount to Landlord within 30 days following receipt of the bill therefor. If such usage is not separately or check-metered from time to time, such usage and billing shall be based upon the reasonable estimate of Landlord's consulting engineer. If Tenant is directed by Landlord to make payments directly to the utility company for separately metered electricity, then Tenant shall pay such bills directly to the utility company, Tenant shall contract directly for electric service, and shall pay all bills for such utility service as and when due. Tenant shall pay all costs associated with obtaining the electricity service, including costs for equipment installation, maintenance and repair; exit fees, stranded cost charges, and the like.

Section 3.02.Other Landlord Services. Landlord shall provide Tenant with access to the Premises, the Building and the parking areas serving the Building 24 hours per day, 365 days per year, subject to matters described in Section 20.14 and Landlord's reasonable security measures, and subject to Landlord's right to prohibit, restrict or limit access to the Building or the Premises in emergency situations if Landlord determines, in its reasonable discretion, that it is necessary or advisable to do so in order to prevent or protect against death or injury to persons or damage to property. Landlord agrees to furnish to the Premises the services, and for the

periods, set forth onExhibit 3.02 (Tenant paying for such services as Operating Expenses). All other services necessary for the use, occupancy or operation of the Premises, or to maintain the same in good condition and repair (except to the extent set forth in Section 7.01, below), shall be provided by Tenant. In the event of an unanticipated maintenance or repair cost that is incurred by Landlord as an Operating Expense, Landlord may notify Tenant upon determining the maintenance or repair is needed and, if requested by Landlord, Tenant shall pay the reasonable cost thereof to Landlord within thirty (30) days after request in addition to the estimated monthly payments for Operating Expenses under Section 2.02 and the additional payment shall be credited against the total amount of Operating Expenses due under Section 2.02 for the year in question. Landlord shall not be required to provide services which exceed the capacity of the building systems serving the Premises and shall not be required to act (or prevented from acting) in any manner which might create unsafe conditions, violate applicable legal requirements, or be inconsistent with standards for the operation of comparable institutionally-financed mixed use office, laboratory and research and development buildings. In any event, subject to Section 7.06 below, Landlord's obligation to provide such services shall be subject to interruption due to any act or omission of Tenant (including a failure to pay for utilities), accident, to the making of repairs, alterations or improvements (other than those due to the willful misconduct of Landlord), 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 reasonable control. In the event of any such disruption or interruption (other than an act or omission of Tenant) prior to the time when Tenant is responsible for providing such services, Landlord will use diligent efforts to restore the services, or to cause the services to be restored, as promptly as reasonably possible. In no event shall Landlord be liable for any interruption or delay in any of the above services for any of such causes except as provided in Section 7.06.

Normal Building hours of operation are Monday through Friday, 8 a.m. to 6 p.m., and Saturday 8 a.m. to 1 p.m., exclusive of state and federal holidays and such other days as Landlord may reasonably designate as Building holidays (e.g. the day after Thanksgiving).

Section 3.03.Facilities Management Rights.

(a) So long as an Event of Default does not then exist, Tenant shall have the right to assume all or any portion of the on-site management services with respect to the Building systems serving the Premises described onExhibit 3.03-1 commencing on a date no earlier than the initial Commencement Date. If Tenant desires to assume all or any portion of such on-site management responsibilities pursuant to this Section 3.03, Tenant shall notify Landlord in writing (a "Facilities Management Notice") at least sixty (60) days prior to the first day of the month in which Tenant intends to assume such management responsibilities and identify by reference to Exhibit 3.03-1 the responsibilities to be assumed. In connection with any such change in management, the parties shall cooperate and coordinate with each other so as to effect a smooth transition and transfer of information and responsibility. During any period that Tenant is exercising its facilities management rights pursuant to this Section 3.03, the provisions ofExhibit 3.03-2 shall apply.

Tenant shall have the right voluntarily to terminate any portion of its management services under this Section 3.03 and to relinquish all or any portion of such services under this Section 3.03 upon sixty (60) days notice and may subsequently again exercise its management rights hereunder (in whole or in part) provided that the conditions set forth in this Section 3.03 are then satisfied and more than twelve (12) months have elapsed following the effective date of the termination of the applicable portion of its management services. If Landlord terminates Tenant's management services pursuant to the provisions ofExhibit 3.03-2, then Tenant shall have no further right to manage any portion of the Building under this Section 3.03. In no event shall Tenant, in the exercise of its rights under this Section 3.03, be permitted to assume the management of areas or facilities of the Building serving tenants other than Tenant.

(b) During such time as Tenant is exercising its facilities management rights pursuant to this Section 3.03, Tenant will cooperate and work with Landlord to manage the same cooperatively with the remainder of the Property. In all events, Tenant shall be fully responsible for all costs and expenses of facilities management under this Section, subject to reimbursement for capital expenditures as set forth below. Tenant's rights under this Section 3.03 shall be personal to the Tenant originally named hereunder. In no event may Tenant's facilities management rights pursuant to this Section 3.03 be transferred to or exercised by any other transferee.

Notwithstanding anything in this Lease to the contrary, so long as Tenant is exercising its facilities management rights pursuant to this Section 3.03, Tenant will maintain, repair and replace, at its sole cost and expense (subject to reimbursement with respect to capital expenditures as set forth below) portions of the Building as further described onExhibit 3.03-1 and designated in Tenant's Facilities Management Notice (the "Self-Managed Components") and Landlord shall, during such period, have no obligation to maintain, repair, or replace the Self-Managed Components. If any element of the Self-Managed Components cannot be fully repaired or restored, and Landlord authorizes replacement of such item or replacement, or such replacement item is included in an Approved Budget (as defined inExhibit 3.03-2) Tenant shall replace it at Tenant's cost even if the benefit or useful life of such replacement extends beyond the term of this Lease and Landlord shall reimburse Tenant for such costs to the extent that such costs are capital expenditures that would not have been includable in Operating Expenses payable by Tenant under this Lease. Landlord shall reimburse Tenant for the costs set forth in the preceding sentence by paying such costs within 30 days after receiving Tenant's invoice therefor. If Landlord pays costs for capital expenditures when invoiced under this paragraph and Tenant subsequently exercises an option to extend the term in accordance with this Lease, Tenant shall reimburse Landlord for all such costs allocable to the extension term or terms (to the extent that such costs would have been includable in Operating Expenses payable by Tenant) within 30 days after written request by Landlord made at any time after Tenant exercises the applicable extension option. Landlord's and Tenant's obligations under the prior two sentences shall survive the expiration of the term.

Article 4.

Insurance

Section 4.01.Compliance with Property Insurance. The Tenant shall not permit any use of the Premises which will make voidable any insurance on the Property, or on the contents of said property, or which shall be contrary to any law or regulation from time to time established by the Insurance Services Office, or any similar body succeeding to its powers. The Tenant shall, on demand, reimburse the Landlord in full for its allocable share of any extra insurance premiums caused by the particular use or manner of use of the Premises by Tenant.

Section 4.02.Tenant's Required Insurance. The Tenant shall maintain with respect to the Premises and the property of which the Premises are a part, the following insurance:

(a) Commercial general liability insurance, including Broad Form Project Damage and Contractual Liability, with respect to the Premises, their use, occupancy and operation, under which Tenant is the named insured and Landlord, Landlord's managing agent, any mortgagee, the association of unit owners under the Reservoir Woods Primary Condominium, The Prudential Insurance Company of America, and any Landlord agents or contractors (provided that Landlord has identified such mortgagee, agents and/or contractors by notice to Tenant) are named as additional insureds with respect to their vicarious liability for covered claims arising from Tenant's use or occupancy of the Premises or the Property. Such coverage shall be written on an occurrence basis, with the following minimum limits: General Aggregate $2,000,000.00; Products/Completed Operations Aggregate $2,000,000.00; Each Occurrence $1,000,000.00; Personal and Advertising Injury $1,000,000.00; Medical Payments $5,000.00 per person. In addition, Tenant shall maintain Umbrella/Excess Liability insurance on a following form basis with the following minimum limits: General Aggregate $5,000,000.00; Each Occurrence $5,000,000.00;

(b) Commercial property insurance on an "all risk" basis, and specifically including sprinkler leakages, vandalism, and malicious mischief and plate glass damage covering all property of every description owned or brought into the Premises by Tenant, its employees, agents, contractors, subtenants, or assignees including stock-in-trade, furniture, fittings, installations, alterations, additions, partitions and fixtures or anything in the nature of a leasehold improvement made or installed by or on behalf of the Tenant, including without limitation any Tenant Work and the Finish Work, in an amount of not less than one hundred percent (100%) of the full replacement cost thereof as shall from time to time be reasonably approved by Landlord in form satisfactory to Landlord in its reasonable discretion and plate glass insurance coverage covering all plate glass within the Premises. Landlord shall be named as loss payee on such property insurance to the extent of its interest;

(c) Policies of insurance against loss or damage arising from incidents relating to the air-conditioning and/or heating system, electrical systems, steam pipes, steam turbines, steam engines, steam boilers, other pressure vessels, high pressure piping and machinery, if any, installed in, or serving, the Premises in an amount satisfactory to Landlord in its reasonable discretion;

(d) Worker's compensation and occupational disease insurance with statutory limits and Employer's Liability insurance with the following limits: Bodily injury by disease per person $1,000,000.00; Bodily injury by accident policy limit $1,000,000.00; Bodily injury by disease policy limit $1,000,000.00;

(e) Business automobile liability insurance including owned, hired and non-owned automobiles, in an amount not less than One Million Dollars ($1,000,000) combined single limit per occurrence, with such commercially reasonable increases as Landlord may require from time to time;

(f) Business interruption insurance insuring interruption or stoppage of Tenant's business at the Premises for a period of not less than twelve (12) months; and

(g) with increases in the foregoing limits, and any other form or forms of insurance as Landlord may reasonably require from time to time, with any other form(s) of insurance in amounts and for insurable risks (on commercially reasonable terms) against which a prudent tenant would protect itself to the extent landlords of comparable buildings in the vicinity of the Property require their tenants to carry such other form(s) of insurance.

Each policy of insurance required under this Section 4.02 shall be issued by companies rated not less than A-/X by Best's Rating Service (or its successor) or otherwise acceptable to Landlord in the Landlord's reasonable discretion and licensed to do business in The Commonwealth of Massachusetts, and shall be noncancellable with respect to Landlord and any mortgagee (provided that Landlord has identified such mortgagee by notice to Tenant), without thirty (30) days prior notice to Landlord and such mortgagee. Tenant shall deliver to Landlord and any mortgagee (provided that Landlord has identified such mortgagee by notice to Tenant) certificate(s) of insurance evidencing the coverage required hereunder upon commencement of the term of this Lease and no later than thirty (30) days prior to the expiration of the coverage evidenced by a prior certificate. All such insurance certificates shall provide that such policy shall not be canceled or reduced as to coverage or amount without at least thirty (30) days prior written notice to each insured named therein. Tenant's liability insurance policy shall be primary with respect to all claims for which Tenant is to indemnify Landlord under Article 12. All furnishings, fixtures, equipment, effects and property of Tenant and of all persons claiming through Tenant which from time to time may be on the Premises or Property or in transit thereto or therefrom ("Tenant Property") shall be at the sole risk of Tenant, and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, or other pipes, by theft or from any other cause, no part of said loss or damage is to be charged to or be borne by Landlord.

Section 4.03.Landlord's Required Insurance. The Landlord shall maintain at least Seven Million ($7,000,000.00) Dollars of commercial general liability insurance (including so-called umbrella coverage) covering the Building. Landlord shall maintain physical damage and casualty insurance on an "all risk" basis on the Building (excluding furnishings, fixtures, equipment and other personal property of Tenant) in the amount of the full replacement cost of the Premises (other than Tenant Work and any Finish Work) as reasonably determined by Landlord, and shall also maintain boiler and rent loss insurance in amounts required by Landlord's mortgage lender or otherwise reasonably determined by Landlord. Landlord's insurance shall be issued by companies rated not less than A-/X by Best's Rating Service (or its successor) and licensed to do business in The Commonwealth of Massachusetts. Landlord shall cause the casualty insurance replacement cost coverage to be updated as reasonably necessary. Any or all of Landlord's insurance may be provided by blanket coverage maintained by Landlord or any affiliate of Landlord under its insurance program for its portfolio of properties. Landlord may maintain other coverages in such amounts as are required by Landlord's mortgage lender or otherwise as reasonably determined by Landlord.

Section 4.04.Tenant Work Insurance. In addition, during the performance of any Tenant Work, in addition to the above coverage required to be maintained by Tenant, Tenant shall cause the general contractor performing any work in the Premises (and the general contractor shall cause its subcontractors) to carry: (a) workers' compensation and occupational disease insurance in statutory amounts; (b) employer's liability insurance with a limit of not less than One Million Dollars ($1,000,000); (c) commercial general liability insurance, including personal injury and property damage, on an occurrence basis in the amount of a combined single limit of not less than One Million Dollars ($1,000,000.00) for each occurrence, such limit to be increased to Five Million Dollars ($5,000,000.00) if the cost of the work exceeds One Million Dollars ($1,000,000.00); and (d) all risk installation floater insurance (on the complete value/full coverage form) to protect Landlord's interest and that of Tenant, contractors and subcontractors during the course of the construction, with limits of not less than the total replacement cost of the completed improvements under construction. Such contractor insurance policies shall be endorsed to include Landlord, The Prudential Insurance Company of America, the condominium association, Landlord's managing agent, any mortgagee, and any other third party providing services to the Building (provided that Landlord has identified such mortgagee and/or third parties by notice to Tenant) as additional insureds.

Section 4.05.Waiver of Subrogation. Any property insurance carried by either party under Sections 4.02(b), 4.02(c) or 4.03 shall, if it can be so written without additional premium or with an additional premium which the other party agrees to pay, include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured hereunder prior to occurrence of injury or loss. Each party, notwithstanding any provisions of this Lease to the contrary, hereby waives any rights of recovery against the other for injury or loss due to hazards covered by property insurance carried (or required to be carried) by the party suffering the injury or loss to the extent of the coverage provided (or to be provided) thereunder.

Section 4.06.Certificates of Insurance. Within fifteen (15) days of request, each party shall provide the other with certificates of all insurance maintained or required to be maintained under this Lease.

Article 5.

Use of Premises

Section 5.01.Permitted Use. The Tenant covenants and agrees to use the Premises only for the purposes of business and professional offices, research labs, and ancillary and subordinate uses customarily undertaken as accessory uses in connection therewith including without limitation an animal care facility not to exceed Tenant's ACF Share (as defined below) of the Premises (measured in rentable square feet), and for no other purpose (the "Permitted Use").

"Tenant's ACF Share" shall mean the percentage of the Premises that is proportionate to the percentage of accessory animal care facility space permitted in the Building from time to time under applicable laws, codes and ordinances, which, as of the date hereof, is 20%. If Tenant is then utilizing all or substantially all of Tenant's ACF Share, and provided that no Event of Default is then continuing, then, following the initial lease-up of the entire Building, upon Tenant's reasonable request from time to time Landlord shall allocate any then-excess animal care facility rights at the Building (i.e. rights in excess of Tenant's ACF Share not then allocated to other tenants) to Tenant as an increase in the foregoing limit so long as such use, as increased, remains an accessory use ancillary and subordinate to Tenant's other activities in the Premises.

Section 5.02.Tenant's Conduct; Hazardous Materials.

(a) Tenant will not make or permit any occupancy or use of any part of the Premises for any hazardous, offensive, dangerous, noxious or unlawful occupation, trade, business or purpose or any occupancy or use thereof which is contrary to any law, by-law, ordinance, rule, permit or license, and will not cause, maintain or permit any nuisance in, at or on the Premises; provided, however, that the Permitted Use, if conducted in conformance with the terms of this Lease, all applicable legal requirements, and customary standards for first class office, laboratory and research and development space, shall not be deemed to be a hazardous, offensive, dangerous, or noxious occupation, trade, business or purpose or a nuisance unless it adversely affects tenants or occupants outside the Premises. Tenant shall not conduct or permit any foreclosure or going out of business auctions, or sheriff's sales, at the Property. Tenant shall not place any loads upon the floors, walls, or ceiling which endanger the structure, or place any Hazardous Materials in the drainage system of the Premises or Property (other than Hazardous Materials in compliance with Environmental Laws applicable to the drainage system of the Premises) or overload existing electrical or other mechanical systems. Tenant shall not use any machinery or equipment in the Premises that causes excessive noise or vibration perceptible from the exterior of the Premises, as reasonably determined by Landlord, or that unreasonably interferes with the use or enjoyment of the Property by other tenants or lawful occupants. No waste materials or refuse shall be dumped upon or permitted to remain outside of the Premises except in trash containers placed inside exterior enclosures designated by Landlord for that purpose. No sign, antenna or other structure or thing shall be erected or placed on the Premises or any part of the exterior of any building or on the land comprising the Property or erected so as

to be visible from the exterior of the building containing the Premises except as expressly permitted pursuant to Section 20.12 of this Lease. Tenant will not cause or permit any waste, overloading, stripping, damage, disfigurement or injury of or to the Property, the Premises, or any part thereof.

(b) Tenant agrees not to generate, store or use any Hazardous Materials (as hereinafter defined) on or about the Premises, except (a) those used by Tenant in its general office operations and janitorial services, in both cases limited to such Hazardous Materials in such amounts as are customarily used in general office uses and for janitorial service provided to general office uses, and (b) those used in connection the Permitted Uses, and in each case only in compliance with any and all Environmental Laws (as defined below) and, in each of (a) and (b), in a manner consistent with the use and operation of a biotechnology laboratory below a so-called BL-3 level (or such lower level as is required pursuant to applicable Environmental Laws) in a mixed-use setting. Tenant shall provide Landlord, upon Landlord's written request, with copies of all Material Safety Data Sheets ("MSDS") for Hazardous Materials used or stored in the Premises. Following the initial occupancy of the Premises, Tenant agrees to notify Landlord prior to introducing any Hazardous Materials into the Premises that require special precautions or facilities materially different from Tenant's initial operations in the Premises. In all events, Tenant agrees not to release or permit Tenant or Tenant's contractors, subtenants, licensees, invitees, agents, servants or employees or others for whom Tenant is legally responsible (collectively, with Tenant, "Tenant Responsible Parties") to release any Hazardous Materials on the Premises in violation of or that requires reporting under any Environmental Law, and not to dispose of Hazardous Materials (a) on the Premises or (b) from the Property to any other location except a properly approved disposal facility and then only in compliance with any and all Environmental Laws regulating such activity, nor permit any occupant of the Premises to do so. In all events Tenant shall comply with all applicable provisions of the standards of the U.S. Department of Health and Human Services as further described in the USDHHS publication Biosafety in Microbiological and Biomedical Laboratories as it may be further revised, or such nationally recognized new or replacement standards as may be reasonably selected by Landlord.

(c) For purposes of this Lease, "Hazardous Materials" shall mean any substance regulated under any Environmental Law, including those substances defined in 42 U.S.C. Sec. 9601(14) or any related or applicable federal, state or local statute, law, regulation, or ordinance, pollutants or contaminants (as defined in 42 U.S.C. Sec. 9601(33), petroleum (including crude oil or any fraction thereof), any form of natural or synthetic gas, sludge (as defined in 42 U.S.C. Sec. 6903(26A), radioactive substances, hazardous waste (as defined in 42 U.S.C. Sec. 6903(27)) and any other hazardous wastes, hazardous substances, contaminants, pollutants or materials as defined, regulated or described in any of the Environmental Laws. As used in this Lease, "Environmental Laws" means all federal, state and local laws relating to the protection of the environment or health and safety, and any rule or regulation promulgated thereunder and any order, standard, interim regulation, moratorium, policy or guideline of or pertaining to any federal, state or local government, department or agency, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Superfund Amendments and Reauthorization Act of 1986, the Clean Water Act, the Clean Air Act, the Toxic Substances Control Act, the Occupational Safety and Health Act, the

Federal Insecticide, Fungicide and Rodenticide Act, the Marine Protection, Research, and Sanctuaries Act, the National Environmental Policy Act, the Noise Control Act, the Safe Drinking Water Act, the Resource Conservation and Recovery Act, as amended, the Hazardous Material Transportation Act, the Refuse Act, the Uranium Mill Tailings Radiation Control Act and the Atomic Energy Act and regulations of the Nuclear Regulatory Agency, Massachusetts General Laws Chapters 21C and 21E, and any other state and local counterparts or related statutes, laws, regulations, and order and treaties of the United States.

(d) Tenant shall permit Landlord and Landlord's agents, representatives and employees, including, without limitation, legal counsel and environmental consultants and engineers, access to the Premises during the term upon at least twenty-four (24) hours' prior notice (which may be verbal, and no such prior notice is necessary in the event of an emergency threatening life or property) to Don Reitano (Director of Corporate Operations) or such other employee of Tenant as Tenant may designate to Landlord from time to time for purposes of conducting environmental assessments; provided, however, that such assessments may only be conducted if (i) Landlord has reason to believe that there has been a release or threat of release of Hazardous Materials in a reportable quantity at the Premises or arising from Tenant's activities at the Property or (ii) requested by an actual or prospective mortgage lender, purchaser or equity investor. Landlord shall permit Tenant or Tenant's representatives to be present during any such assessment, and any investigation, testing or sampling. In making any such entry, Landlord shall avoid materially interfering with Tenant's use of the Premises, and upon completion of Landlord's assessment, investigation, and sampling, shall substantially repair and restore the affected areas of the Premises from any damage caused by the assessment. Such assessment shall be at Landlord's expense, provided that if the assessment shows that a release of Hazardous Materials in violation of this Lease has occurred, then Landlord's actual, reasonable, out-of-pocket costs relating to such assessment shall be reimbursed by Tenant. Tenant shall pay for all costs reasonably incurred by Landlord, for independent consultants or otherwise, in connection with inspections, investigations, and/or response actions concerning a release or threat of release of Hazardous Materials at the Premises.

(e) Tenant covenants to use best industry practices in the conduct of all laboratory operations and the storage, use, treatment, and disposal of Environmental Substances at the Premises. Tenant shall prepare a written environmental contingency plan sufficient to comply with applicable laws, regulations, codes and ordinances and good practice for first class laboratory space ("Tenant's Environmental Contingency Program") and shall revise the same from time to time as reasonably necessary because of changes in operations within the Premises, changes in applicable legal requirements, and changes in customary practice for environmental contingencies in first class laboratory space. Tenant shall implement the Environmental Contingency Program as necessary in accordance with the approved plan (as it may be revised) and shall, within 14 days after Landlord's written request, provide Landlord with copies of all reports and documentation prepared in connection therewith. Within 14 days after Landlord's written request, Tenant shall provide Landlord with copies of any routine safety audits conducted by Tenant in the ordinary course of Tenant's business. Landlord may from time-to-time undertake an environmental audit to assess the compliance of Tenant with applicable Environmental Laws if Landlord reasonably believes that Tenant is not then in material compliance with such Environmental Laws or if there is any release of Hazardous Materials required to be reported under any Environmental Law that arises

out of the use, operation, or occupancy of the Premises or Premises by Tenant or any Tenant Responsible Parties during the term of this Lease and any further period during which Tenant or any Tenant Responsible Party retains use, operation or occupancy of the Premises (a "Tenant's Release"). Any such audit shall be at Tenant's cost and expense if the results of such audit identify any such material non-compliance by Tenant or any Tenant's Release. In addition, Tenant shall investigate, assess, monitor and report as required by applicable Environmental Law, at Tenant's sole cost and expense, any Tenant's Release. Further, Tenant shall remediate, in compliance with applicable Environmental Laws, at Tenant's sole cost and expense, any Tenant's Release requiring Response Action (as defined in 310 C.M.R. 40.0000). Tenant shall submit to Landlord for Landlord's prior approval a work plan outlining in reasonable detail any Remedial Work to be performed by Tenant hereunder (the "Remedial Work Plan"). Landlord shall not unreasonably withhold or delay its approval of such Remedial Work Plan if (i) it complies with all applicable Environmental Laws; and (ii) the Remedial Work outlined therein reasonably appears sufficient to remediate the releases to the level provided for in this Section 5.02(d). If Tenant is obligated to remediate a Tenant's Release under this Lease, Tenant shall be obligated to remediate the Tenant's Release to a level that will permit the portion of the Property to be used for first class office, laboratory, and research and development uses under applicable laws, statutes, codes, and ordinances, whether now existing or hereafter enacted. Tenant shall make available to Landlord copies of drafts of any submittals to governmental authorities in connection with the Remedial Work for Landlord's review and comment at least three (3) business days prior to such submittal, and Tenant shall consider in good faith and incorporate as Tenant reasonably deems appropriate Landlord's comments thereon. Tenant shall sign any manifests or other documents as the waste generator for any Hazardous Materials it disposes of or sends off site or otherwise arising from a Tenant's Release. This Subsection shall survive the term of this Lease and shall be subject to the provisions of Section 5.03. Tenant's remediation obligation set forth in this Subsection shall not limit Landlord's right to damages, if any, which Landlord may incur due to any unremediated Hazardous Materials resulting from a Tenant's Release.

(f) Tenant shall pay for all costs reasonably incurred by Landlord, for independent consultants or otherwise, in connection with inspections, investigations, and/or response actions concerning a release of Hazardous Materials at the Premises (to the extent caused by Tenant, Tenant 's agents, contractors or employees, or persons acting by, through or under Tenant).

(g) Tenant may require that any representative of Landlord entering into a secured portion of the Premises identified by Tenant to Landlord in advance as containing proprietary information for the purposes set forth in this Section 5.02 execute a confidentiality agreement with respect to Tenant's proprietary information, provided, however, that such agreement is subject to Landlord's prior approval (not to be unreasonably withheld). Landlord agrees to hold any proprietary information identified by Tenant and supplied to Landlord pursuant to this Section 5.02(b)-(f) ("Confidential Information") in confidence, subject to disclosures to the extent that such disclosure is required by law or court order or by discovery rules in any legal proceeding. Notwithstanding the foregoing, Landlord may disclose such Confidential Information to its lenders, attorneys, and consultants in connection with the financing or sale of the Property or Landlord's review of such information provided that such lenders, attorneys

and consultants are informed of Landlord's obligations hereunder and do not disclose such Confidential Information in a manner that would not be permitted hereunder.

(h) Tenant shall have no right to use the area identified onExhibit 1.01-1 as "Second Floor Common Lobby" for any purpose other than (x) code-required emergency access and egress to the Premises or (y) if a portion of the second floor of the Premises is subleased by Tenant as permitted by this Lease and requires use of the Second Floor Common Lobby as a primary entry for such subleased premises.

Section 5.03.Hazardous Materials Indemnity. Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord, Landlord's managing agent and any mortgagee of the Premises, and any other Indemnitees (as defined in Section 12.01) fully harmless from and against any and all liability, loss, suits, claims, actions, causes of action, proceedings, demands, costs, penalties, damages, fines and expenses, including, without limitation, attorneys fees, consultants' fees, laboratory fees and clean up costs, and the costs and expenses of investigating and defending any claims or proceedings, resulting from, or attributable to (i) the presence of any Hazardous Materials on the Property or the Premises arising from the action or negligence of Tenant, its officers, employees, contractors, and agents, or arising out of the generation, storage, treatment, handling, transportation, disposal or release by such party (or their respective officers, employees, contractors, agents or invitees) of any Hazardous Materials at or near the Property or the Premises, (ii) any violation(s) by Tenant or its officers, employees, contractors, agents or invitees of any applicable law regarding Hazardous Materials, and (iii) any breach by Tenant of the obligations set forth in Sections 5.02(b) and (d) of this Lease.

The provisions of this Section 5.03 shall survive the expiration or earlier termination of this Lease.

Section 5.04.Rules and Regulations. Rules and regulations delivered to Tenant in writing, provided the same are not inconsistent with or in limitation of the provisions of this Lease, which in the judgment of the Landlord are reasonable, shall be observed by the Tenant and its employees, and Tenant shall use reasonable efforts to cause its agents, contractors, customers and business invitees to comply therewith. Tenant acknowledges that the rules and regulations may include provisions necessary to comply with requirements of governmental approvals. Landlord agrees that the rules and regulations shall not be applied against Tenant in a discriminatory manner. Tenant agrees that Landlord shall not be liable to Tenant for the failure of other tenants to comply with the rules and regulations.

Article 6.

Compliance with Legal Requirements

Section 6.01.Compliance with Legal Requirements. Throughout the term of this Lease, Tenant, at its sole cost and expense, will promptly comply with all requirements of law, code, regulation or ordinance related in any way to its use and occupancy of the Premises, including without limitation any Tenant Work, and will procure and maintain all permits, licenses and other authorizations required with respect to the Premises, or any part thereof, for the lawful and proper operation, use and maintenance of the Premises or any part thereof. Notwithstanding the foregoing to the contrary, Tenant shall have no obligation to bring elements of the foundations, exterior walls, structural floors, and roof of the Building, and the portions of the electrical, heating, ventilation and air conditioning systems of the Building that serve other tenants, (collectively, the "Base Building") into compliance with applicable laws, codes, regulations or ordinances except to the extent such compliance is required as a result of Tenant Work, Tenant's particular use of the Premises, as opposed to the Permitted Use, generally, the exercise of Tenant's facilities management rights pursuant to Section 3.03 of this Lease, Tenant's negligence or willful misconduct (subject to the provisions of Section 4.05), or Tenant's default under this Lease. Landlord shall have the obligation to bring elements of the Base Building into compliance with applicable laws (including, without limitation, Environmental Laws as hereinafter defined, but subject to the other provisions of this lease governing Tenant's use of Hazardous Materials) except to the extent such compliance is required as a result of Tenant Work, Tenant's particular use of the Premises, as opposed to the Permitted Use, generally, Tenant's negligence or willful misconduct (subject to the provisions of Section 4.05), or Tenant's default under this Lease.

Article 7.

Construction, Condition, Repairs and Maintenance of Premises

Section 7.01.Base Building Work. Landlord shall perform certain base building modifications to accommodate the demising of the Premises, as further described below, in a good and workmanlike manner, using new materials of first quality, and shall comply with applicable laws and all applicable ordinances, orders and regulations of governmental authorities. The work described in the immediately preceding sentence shall be performed in all material respects in accordance with the scope of work and schematic plan attached asExhibit 7.01 (the "Base Building Work")**,** provided that Landlord may modify the design of the Base Building Work from time to time (subject to the provisions of the immediately following paragraph) so long as the modification (i) does not affect the utility, quality, or appearance of the Base Building Work in any material respect, (ii) does not materially increase the cost of the Finish Work (except as provided below), (iii) will not materially interfere with Tenant's use of the Premises, (iv) does not involve a material reduction in the quality of materials to be incorporated in the Base Building Work, (v) will not result in any material diminution of the rentable area of the Premises, and (vi) will not materially and adversely affect the building service systems

and equipment serving the Premises (collectively, the "Tenant Approval Not Required Standards"). In addition to the requirements described in Exhibit 7.01, Landlord's Base Building Work shall be further described in final construction documents that shall be consistent with a first class suburban office building and the initial scope of work and schematic plan for the Base Building Work pursuant to the schedule for Landlord's Deadlines set forth on Schedule 2 to Exhibit 7.02, attached. Landlord shall provide Tenant with copies of the construction documents for Tenant's review and comment. Tenant shall review and comment on such plans within five (5) business days following the delivery of such plans to Tenant. If Tenant fails to review and comment on such plans within such five (5) business day period, then Tenant shall be deemed to have waived its right to comment.

From time to time during the construction of the Base Building Work directly affecting the Building and the Finish Work, Landlord shall allow Tenant's authorized representatives to review and make copies of plans and specifications including all changes thereto and generally to review the progress of Landlord Work. Such reviews shall be scheduled so as not to interfere with the conduct of Landlord Work. Tenant shall be provided with copies of all changes or supplements to the construction plans for the Base Building Work when the same are given to Landlord's contractor.

Section 7.02. Finish Work. Landlord shall construct Tenant's initial improvements to prepare the Premises for Tenant's occupancy in accordance with Exhibit 7.02, attached.

Section 7.03. Landlord Maintenance Obligations.

(a) Except as otherwise provided in this Lease, including without limitation if Tenant has assumed responsibility for such services pursuant to a Facilities Management Notice, throughout the term of this Lease, but subject to the terms of Article 11, Landlord shall make such repairs to the Base Building and the common areas of the Property, including all elevators (even the Tenant Exclusive Elevators), as may be necessary to keep them in good condition in accordance with standards for a first class office, laboratory and research and development building in the suburban Boston area, reasonable wear and tear excepted.

(b) Landlord shall prepare, or cause to be prepared, a written operations and maintenance plan for any heating, ventilation and air-conditioning systems serving the Premises in common with other parts of the Building from time-to-time and shall provide Tenant with a copy of such O&M Plan. Landlord may amend or modify the O&M Plan from time to time in consultation with Tenant. If, in Tenant's good faith determination, the O&M Plan does not comply with standards for first class office, laboratory and research and development buildings in the suburban Boston area, Tenant may object to such O&M Plan with specific comments and suggestions for revisions given within 20 days following receipt of such plan from Landlord. If the parties are unable to resolve any disputes regarding whether the O&M Plan meets the applicable standard within 60 days thereafter, despite good faith efforts to do so, then either party may submit such dispute to arbitration in accordance with the last paragraph of Section 14.07(b) of this Lease (except that the arbitrator shall be a mechanical, engineering and plumbing engineer with at least 20 years' experience in the design and

operation of HVAC systems in first class office and laboratory buildings in the greater Boston area). In connection with the operation and repair of such systems, Tenant shall have the appurtenant right to monitor, access and inspect such systems to confirm that they are being operated and maintained as required hereunder.

Section 7.04.Tenant Maintenance Obligations. Throughout the term of this Lease, and except as provided in Section 7.01, but subject to the terms of Article 11, Tenant shall clean, maintain and repair the Premises, and any Tenant Work (including the Finish Work), the utility meters serving only the Premises, the heating ventilation and air-conditioning units located on the roof of the Building as of the date of this Lease and serving exclusively the second and third floors of the Premises, and any other Building systems to the extent exclusively serving the Premises, all in accordance with standards for a first class office, laboratory and research and development building in the suburban Boston area, reasonable wear and tear excepted**.**

Section 7.05.Landlord's Right of Entry. Landlord, or agents or prospective investors, lenders or purchasers of Landlord, at reasonable times, reserves the right to enter upon the Premises to examine the condition thereof, to make repairs, alterations and additions as Landlord is required or permitted under the terms of this Lease, and at any reasonable time within twelve (12) months before the expiration of the term to show the Premises to prospective tenants. In connection with such access, Landlord shall not unreasonably interfere with the operation or work at the Premises and shall give Tenant reasonable prior written notice where practicable (except in the event of an emergency, in which event such notice shall be as prompt as possible under the circumstances and may be oral) of Landlord's intent to access the Premises.

Section 7.06.Service Interruptions. In the event that there shall be an interruption, curtailment or suspension of any service required to be provided by Landlord pursuant toExhibit 3.02 (and no reasonably equivalent alternative service or supply is provided by Landlord) (but not including any services that are then subject to Tenant's facilities management rights pursuant to the exercise of Tenant's rights under Section 3.03), or if Landlord fails to commence and diligently prosecute to completion any repair or maintenance required by Landlord under this Lease within applicable notice and cure periods, that shall materially interfere with Tenant's use and enjoyment of a material portion of the Premises, and Tenant actually ceases to use the affected portion of the Premises (any such event, a "Service Interruption"), and if (i) such Service Interruption shall continue for five (5) consecutive business days following receipt by Landlord of written notice from Tenant describing such Service Interruption (the "Service Interruption Notice"), (ii) such Service Interruption shall not have been caused, in whole or in part, by matters described by Article 11 or by an act or omission in violation of this Lease by Tenant or by any negligence of Tenant, or Tenant's agents, employees, contractors or invitees, and (iii) the cure of the condition giving rise to the Material Service Interruption is within Landlord's reasonable control (a Service Interruption that satisfies the foregoing conditions being referred to hereinafter as a "Material Service Interruption") then, as liquidated damages and Tenant's sole remedy at law or equity, Tenant shall be entitled to an equitable abatement of Rent, based on the nature and duration of the Material Service Interruption, the area of the Premises affected, and the then current Rent amounts, for the

period that shall begin on the commencement of such Service Interruption and that shall end on the day such Material Service Interruption shall cease.

Notwithstanding the foregoing, if (w) a Material Service Interruption continues for 180 days (provided that such 180 day period shall be extended for a period of up to an additional 90 days so long as Landlord is diligently prosecuting to cure such Material Services Interruption) following delivery of the Service Interruption Notice, (x) Tenant simultaneously delivered the Service Interruption Notice to any then-Mortgagee (as defined in Section 10.1), (y) such Mortgagee has not cured such Material Service Interruption within the period set forth in Section 10.3, and (z) such Material Service Interruption adversely interferes with Tenant's operations in either (i) at least 25% of the Premises (measured in rentable square feet) or (ii) any portion of the Lab Portion such that there are material adverse consequences to critical laboratory operations of Tenant in progress or planned at the time such Material Service Interruption commenced, then following such period Tenant shall have the option to terminate this Lease upon thirty (30) days prior written notice to Landlord and such Mortgagee; provided, however, that if such Material Service Interruption shall cease prior to the expiration of such thirty (30) day period, then such termination notice shall be of no force or effect.

The provisions of this Section 7.06 shall not apply to matters arising out of any casualty or taking by eminent domain, which events are addressed by Article 11 of this Lease.

Article 8.

Alterations and Additions

Section 8.01.Tenant Work

(a) The Tenant shall not make any additional alterations or additions, structural or non-structural, to the Premises without first obtaining the written consent of Landlord on each occasion, which consent shall not be unreasonably withheld, conditioned or delayed. Any such alterations or additions are referred to herein as "Tenant Work". For non-structural alterations or additions valued at less than $100,000 which do not affect any of the exterior, lobbies, elevator, roof, structure, or building systems in or at the Building, Landlord's consent shall not be required ("Minor Alterations") provided, however, that (i) if such Minor Alteration requires a building permit from the applicable municipal authority, Landlord's consent shall be required, provided that such consent shall not be unreasonably withheld, conditioned or delayed, and (ii) if Landlord's consent was not obtained therefor, upon the expiration or termination of this Lease, Tenant shall readapt, repair and restore the affected portion of the Premises to substantially the condition the same were in prior to such Minor Alteration. Additionally, Tenant shall give prior written notice to Landlord of any Minor Alteration regardless of whether Landlord's consent is required. Wherever consent is required, it shall include reasonable approval of plans and contractors and the insurance required under Section 4.04. Unless otherwise approved by Landlord, Tenant

shall use the structural engineer employed by Landlord for the Building where Alterations affect Building structure. Tenant shall notify Landlord of all alterations or additions and provide Landlord with copies of any construction plans therefor whether or not Landlord's consent is required. All such allowed alterations, including reasonable third-party costs of review in seeking Landlord's approval, shall be made at Tenant's expense by an Approved Contractor (as defined below), in compliance with all laws, and be of first class quality. Prior to commencing any work at the Property other than Minor Alterations or Alterations costing less than $1,000,000 (such amount decreasing to $250,000 at any time that Tenant fails to meet the Financial Test) in the aggregate, Tenant shall provide and record bonds or such other security as is reasonably satisfactory to Landlord sufficient to protect the interests of both Tenant and Landlord in the Property from any lien arising out of a failure to pay for work performed for Tenant, and all alterations and additions performed by Tenant, (but excluding Minor Alterations), shall be performed by an Approved Contractor. Upon the expiration or earlier termination of this Lease, Tenant shall assign to Landlord (without recourse) all warranties and guaranties then in effect for all work performed by Tenant at the Premises.

For purposes of this Section 8.01(a), an "Approved Contractor" shall mean a contractor or mechanic identified by Tenant in writing, who has been approved by Landlord (such approval not to be unreasonably withheld, conditioned or delayed).

(b) Except as set forth below, any alterations or additions made by, for or on behalf of the Tenant which are permanently affixed to the Premises or affixed in a manner so that they cannot be removed without defacing or damaging the Premises shall, except as expressly provided in this paragraph, become property of the Landlord at the termination of occupancy as provided herein. If Landlord notifies Tenant, in connection with any consent to alterations or additions requested by Tenant, or in connection with the review and approval of the plans for the Finish Work underExhibit 7.02 that Tenant shall be required to remove such alterations or additions or Finish Work at the expiration of the term of the Lease, or if any such alterations or additions did not require Landlord's consent pursuant to the terms hereof, then such alterations or additions or Finish Work, as applicable, shall be removed by Tenant, at its expense, with minimal disturbance to the Premises prior to the expiration of the term of the Lease. Notwithstanding the immediately preceding sentence to the contrary, Landlord may only require Tenant to remove items of Tenant Work or Finish Work that are above or otherwise inconsistent with the first class nature of the Building. Tenant's trade fixtures and personal property and equipment, which are not affixed or that may be removed with minimal disturbance or repairable damage, may be removed by Tenant during the term of this Lease, and shall be removed prior to the expiration of the term of the Lease, provided such disturbance or damage is restored and repaired so that the Premises are left in at least as good a condition as they were in at the commencement of the term, reasonable wear and tear excepted. In no event shall any Finish Work funded by the Finish Work Allowance be deemed to be Tenant's trade fixtures, personal property or equipment. The Premises shall otherwise be left in the same condition as at the commencement of the term or such better condition as it may thereafter be put, reasonable wear, tear and, to the extent Landlord is required to restore the same, damage by fire or other casualty or taking or condemnation by public authority excepted. Notwithstanding anything herein or otherwise in this Lease to the contrary, the Tenant emergency generators and nitrogen tanks paid for directly by Tenant, together with such other items that may be agreed upon by mutual written agreement of the parties from time to

time, shall be and remain the personal property of Tenant, shall not be deemed to be Tenant Work, and Tenant shall have the right to remove the foregoing from the Premises at any time and from time to time during the term of this Lease.

Article 9.

Discharge of Liens

Section 9.01.No Liens. Tenant will not create or permit to be created or to remain, and within ten (10) days after notice from Landlord will discharge or bond off, at its sole cost and expense and to the reasonable satisfaction of Landlord and any mortgagee, any lien, encumbrance or charge (on account of any mechanic's, laborer's, materialmen's or vendor's lien, or any mortgage, or otherwise) made or suffered by Tenant which is or might be or become a lien, encumbrance or charge upon the Premises (including Tenant's leasehold interest therein), Property or any part thereof, or the rents, issues, income or profits accruing to Landlord therefrom, and Tenant will not suffer any other matter or thing within its control whereby the estate, rights and interest of Landlord in the Property or Premises or any part thereof might be materially impaired. Notice is hereby given that Landlord shall not be liable for any labor or materials furnished or to be furnished to Tenant in connection with any Tenant Work and that no mechanic's or other lien for any such labor or materials shall attach to or affect the estate or interest of Landlord in and to the Premises or the Property, and, upon Landlord's request, to the maximum extent permitted by law, Tenant shall cause any contractor of Tenant to execute and deliver an acknowledgement confirming the same in such form as Landlord may from time to time reasonably prescribe.

Article 10.

Subordination

Section 10.01. Lease Subordinate to Mortgages.

(a) The interest of the Tenant hereunder shall be subordinate to the rights of any holder of a mortgage or holder of a ground lease of property which includes the Premises (any such holder, a "Mortgagee"), and executed and recorded subsequent to the date of this Lease, unless such Mortgagee shall otherwise so elect, subject to the provisions of Section 10.01(f), below; or

(b) If any Mortgagee shall so elect, this Lease, and the rights of the Tenant hereunder, shall be superior in right to the rights of such Mortgagee, with the same force and effect as if this Lease had been executed and delivered, and recorded, or a statutory notice hereof recorded, prior to the execution, delivery and recording of any such mortgage.

Any election as to Subsection (b) above shall become effective upon either notice from such Mortgagee to the Tenant in the same fashion as notices from the Landlord to the Tenant are to be given hereunder or by the recording in the appropriate registry or recorder's office of an instrument, in which such Mortgagee subordinates its rights under such mortgage or ground lease to this Lease.

In the event any Mortgagee shall succeed to the interest of Landlord, whether by judicial or non-judicial foreclosure or otherwise, at the election of such Mortgagee, Tenant shall, and does hereby agree to attorn to such Mortgagee and to recognize such Mortgagee as its Landlord and Tenant shall promptly execute and deliver any instrument that such Mortgagee may reasonably request to evidence such attornment provided such document contains reasonably satisfactory non-disturbance provisions to allow Tenant to remain in occupancy pursuant to this Lease and exercise all of its other rights under this Lease as long as no Event of Default exists. The form of instrument attached asExhibit 10.01 shall be deemed acceptable to Tenant. If requested by any such Mortgagee, Tenant further agrees to enter into a new lease for the balance of the term of this Lease (and otherwise upon the same terms and conditions of this Lease) in the event of a judicial or non-judicial foreclosure of a mortgage granted to any Mortgagee. Landlord will reimburse Tenant for all reasonable third party attorneys' fees that Tenant incurs to review such agreement pursuant to the preceding sentence.

Upon such attornment, the Mortgagee shall not be: (i) liable in any way to the Tenant for any act or omission, neglect or default on the part of Landlord under this Lease except that the Mortgagee shall cure any continuing failure to perform maintenance or repair work (but shall not be liable for any damages arising prior to the attornment) and complete the Landlord Work in accordance with the Lease (ii) responsible for any monies owing by or on deposit with Landlord to the credit of Tenant unless received by the Mortgagee, but it shall be liable for payment of any unpaid portion of the Finish Work Allowance being funded by the loan and to the extent not previously advanced by such Mortgagee; (iii) subject to any credit, counterclaim or setoff which theretofore accrued to Tenant against Landlord; (iv) bound by any modification of this Lease subsequent to such mortgage or by any previous prepayment of regularly scheduled monthly installments of Base Rent for more than (1) month, which was not approved in writing by the Mortgagee; (v) liable to the Tenant beyond the Mortgagee's interest in the Property and the rents, income, receipts, revenues, issues and profits issuing from such Property; or (vi) liable for any portion of a security deposit not actually received by the Mortgagee.

(c) The covenant and agreement contained in this Lease with respect to the rights, powers and benefits of any such Mortgagee constitute a continuing offer to any person, corporation or other entity, which by accepting or requiring an assignment of this Lease or by entry of foreclosure assumes the obligations set forth in this Article 10 with respect to such Mortgagee.

(d) No assignment of this Lease and no agreement to make or accept any surrender, termination or cancellation of this Lease and no agreement to modify so as to reduce the Rent, change the term, or otherwise materially change the rights of the Landlord under this Lease, or to relieve the Tenant of any obligations or liability under this Lease, shall be valid unless consented to in writing by the Landlord's Mortgagees, if any, to the extent that such consent is required pursuant to the terms of the applicable mortgage or ground lease.

(e) The Tenant agrees, within ten (10) business days following the request of the Landlord, to execute and deliver from time to time any agreement, in recordable form, which may reasonably be deemed necessary to implement the provisions of this Section 10.01, including, without limitation, the form of agreement attached asExhibit 10.01. Landlord will reimburse Tenant for all reasonable third party attorneys' fees that Tenant incurs to review such agreement under this subsection (e) if the form provided by Landlord is not substantially similar toExhibit 10.01, provided that Landlord shall have no obligation to reimburse Tenant for any amount in excess of $4,000 in any one instance (such amount to be increased, but never decreased, annually in proportion to any increase in the CPI).

(f) Landlord agrees that any subordination of this Lease to any mortgage now or hereafter encumbering the Premises shall be conditioned upon Landlord delivering to Tenant a written, recordable Subordination, Non-Disturbance and Attornment Agreement from the ground lessor or mortgagee seeking to have this Lease subordinated to its interest substantially in the form attached as Exhibit 10.01 or in such other customary form as is required by Landlord's mortgagee. Landlord shall provide Tenant with a non-disturbance agreement from Landlord's current first mortgage lender, Bank of America, N.A., simultaneously with the execution and delivery of this Lease.

Section 10.02.Estoppel Certificates. Each party agrees to furnish to the other, within ten (10) business days after request therefor (or, with respect to Tenant, if requested of Tenant by any Mortgagee) from time to time, a written statement setting forth the following information:

(a) Whether and when Tenant accepted possession of the Premises, and the commencement and expiration dates of the term of this Lease,

(b) The applicable Rent then being paid, including all Additional Rent based upon the Additional Rent most recently established;

(c) That, if true, the Lease is current and the party providing the statement is not aware of any uncured breach of this Lease or specifying any breach;

(d) That, if true, the party providing the statement is not aware of any current claims or offsets against the other party, or specifically listing any such claims;

(e) The date through which Base Rent and Additional Rent has then been paid;

(f) Whether Tenant then meets the Financial Test;

(g) Such other information relevant to the Lease as the requesting party may reasonably request;

(h) A statement that any prospective Mortgagee and/or purchaser may rely on all such information.

Without limiting the generality of the foregoing, Tenant has approved the statement form attached asExhibit 10.02.

Section 10.03.Notices to Mortgagees. After receiving notice from any person, firm or other entity that it holds a mortgage which includes the Premises as part of the mortgaged premises, or that it is the ground lessor under a lease with the Landlord, as ground Tenant, which includes the Premises as a part of the mortgaged premises, no notice from the Tenant to the Landlord shall be effective against such Mortgagee unless and until a copy of the same is given to such Mortgagee, and the curing of any of the Landlord's defaults by such Mortgagee shall be treated as performance by the Landlord. Accordingly, no act or failure to act on the part of the Landlord which would entitle the Tenant under the terms of this Lease, or by law, to be relieved of the Tenant's obligations hereunder, to exercise any right of self-help or to terminate this Lease, shall result in a release or termination of such obligations or a termination of this Lease unless (i) the Tenant shall have first given written notice to such Mortgagee of the Landlord's act or failure to act which could or would give basis for the Tenant's rights; and (ii) such Mortgagee, after receipt of such notice, has failed or refused to correct or cure the condition complained of within the applicable cure period afforded Landlord under this Lease or such longer period of time as may be reasonably required by Mortgagee to cure such default with due diligence (including such time as may be necessary for Mortgagee to obtain possession or title to the Property, if required to cure the default, but in no event shall such longer period of time exceed, in the aggregate, 180 days).

Section 10.04.Assignment of Rents. With reference to any assignment by the Landlord of the Landlord's interest in this Lease, or the rents payable hereunder, conditional in nature or otherwise, which assignment is made to the a Mortgagee, the Tenant agrees:

(a) That the execution thereof by the Landlord, and the acceptance thereof by the Mortgagee, shall never be treated as an assumption by such Mortgagee of any of the obligations of the Landlord hereunder, unless such Mortgagee shall, by notice sent to the Tenant, specifically make such election; and

(b) That, except as aforesaid, such Mortgagee shall be treated as having assumed the Landlord's obligations hereunder only upon foreclosure of such Mortgagee's mortgage or the taking of possession of the Property, or, in the case of a ground lessor, the termination of the ground lease.

Article 11.

Fire, Casualty and Eminent Domain

Section 11.01.Rights to Terminate the Lease. The Landlord, at its sole option, may elect to terminate this Lease, provided that Landlord is then also terminating the lease of any other tenant that is similarly affected in the Building, if (i) all or substantially all of the Premises or at least 50 percent of the Building (not including the Premises) is damaged by a casualty not insured by the coverage required to be carried hereunder (whether or not such insurance is actually carried), or is taken by eminent domain, (ii) the Building is damaged by an fire or other casualty (whether or not insured) such that the same cannot, in ordinary course, reasonably be expected to be restored within 270 days from the time that such restoration work would commence, or (iii) the Premises or Building is damaged by a fire or other casualty, or is taken by eminent domain, at a time when no more than 18 months then remain in the term of this Lease, and the time reasonably estimated by Landlord's general contractor pursuant to Section 11.01(b), below, to restore the Premises or Building, as applicable, will take longer than 50% of the then-remaining term of the Lease (unless, within 21 days after receipt of Landlord's termination notice, Tenant exercises any then-remaining right to extend the term of this Lease pursuant to Article 22 hereof). When fire or other unavoidable casualty or taking renders any portion of the Premises substantially unsuitable for its intended use (including, without limitation, by causing damage to such portions of the common areas and facilities of the Building as are necessary to provide reasonably safe access to the Premises and to provide those building services, such as utilities and HVAC service, that Landlord is required to provide hereunder), a just and proportionate abatement of rent shall be made for so long as such interference shall continue, and the Tenant may elect to terminate this Lease if:

(a) The Landlord fails, within ten (10) days following written notice from Tenant of such failure, to give written notice sixty (60) days after such casualty of its intention to restore the Premises (and such portions of the common areas and facilities of the Building as are necessary to provide reasonably safe access to the Premises and to provide those building services, such as utilities and HVAC service, that Landlord is required to provide hereunder) or provide alternate access, if access has been taken or destroyed; or

(b) If Landlord gives notice of its intention to restore and, in the reasonable estimate of Landlord's general contractor, such restoration of the Premises (and such portions of the common areas and facilities of the Building as are necessary to provide reasonably safe access to the Premises and to provide those building services, such as utilities and HVAC service, that Landlord is required to provide hereunder) will take greater than nine (9) months to complete (or, if less than eighteen (18) months remain in the term of this Lease, greater than one-half of the then-remaining length of the term), provided that Tenant gives such notice within 30 days after receiving Landlord's notice that it intends to restore the Premises; or

(c) If Landlord gives notice of its intention to restore and the Landlord fails to restore the Premises (together with such portions of the common areas and facilities of the Building as are necessary to provide reasonably safe access to the Premises and to provide those building services, such as utilities and HVAC service, that Landlord is required to provide hereunder) to a condition substantially suitable for their intended use within the longer of nine (9) months or such longer period as Landlord's general contractor has estimated for restoration pursuant to clause (b), above, plus a contingency period equal to 10% of such period estimated by the general contractor, of such fire or other unavoidable casualty, or taking; provided however, that (x) in the event Landlord has diligently commenced repairs to the damaged property and such repair takes more than such period to complete due to causes beyond Landlord's reasonable control, Landlord shall have the right to complete such repairs within a reasonable time period thereafter (the "Additional Time") but in no event shall such Additional Time be longer than the shorter of (i) ninety (90) days; or (ii) the length of such delays beyond Landlord's reasonable control and (y) if Landlord completes such restoration within 30 days following receipt of Tenant's notice of termination, then such notice of termination shall be deemed null and void and of no further force and effect.

The Landlord reserves, and the Tenant grants to the Landlord, all rights which the Tenant may have for damages or injury to the Premises for any taking by eminent domain, except for damages specifically awarded on account of the Tenant's trade fixtures, property or equipment, and moving expenses.

Section 11.02.Restoration Obligations. If the Lease has not terminated pursuant to Section 11.01, then, following any casualty or taking by eminent domain, Landlord shall proceed with diligence, subject to then applicable statutes, building codes, zoning ordinances and regulations of any governmental authority, and the receipt of insurance proceeds, to repair or cause to be repaired such damage (excluding any Tenant Work and Finish Work). All repairs to and replacements of Tenant's Tenant Work, Finish Work, trade fixtures, equipment and personal property shall be made by and at the expense of Tenant.

Article 12.

Indemnification

Section 12.01.General Indemnity. Subject to the waiver of claims set forth in Section 4.05, except to the extent arising from a breach of this Lease by Landlord or the negligent acts or willful misconduct of Landlord or Landlord's agents, contractors or employees, Tenant shall defend, indemnify and hold harmless Landlord, Landlord's lenders, Landlord's managing agent, The Prudential Life Insurance Company of America, the association of unit owners of the Reservoir Woods Primary Condominium and their respective partners, members, managers, officers, directors, and employees (the "Indemnitees") from and against any and all claims, demands, liabilities, damages, judgments, orders, decrees, actions, proceedings, fines, penalties, costs and expenses, including without limitation, court costs and attorneys' fees, (x) arising from or relating to any third party claim for loss of life, or damage or injury to a person or property (i) occurring in the Premises or arising out of the use of the common areas of the Property by Tenant, or

its agents, employees, or contractors or anyone claiming by or through Tenant, (ii) caused by any negligent act or omission or violation of this Lease by Tenant, or its agents, employees, or contractors or anyone claiming by or through Tenant, or (y) arising out the exercise of Tenant's rights underSection 14.07(b) (including without limitation any claim by another tenant in the Building that such exercise resulted in a default under its lease).

Subject to the waiver of claims set forth in Section 4.05, except to the extent arising from a breach of this Lease by Tenant or the negligent acts or willful misconduct of Tenant or Tenant's agents, contractors or employees, Landlord shall defend, indemnify and hold harmless Tenant from and against any and all claims, demands, liabilities, damages, judgments, orders, decrees, actions, proceedings, fines, penalties, costs and expenses, including without limitation, court costs and attorneys' fees, arising from or relating to any third party claim for loss of life, or damage or injury to a person or property caused by any negligent act or omission or violation of this Lease by Landlord, its agents, employees, or contractors.

Section 12.02.Defense Obligations. In case any action or proceeding is brought against either party by reason of any such occurrence, the party required to provide indemnification, upon written notice from the party entitled to indemnification, will, at the sole cost and expense of the party required to provide indemnification, resist and defend such action or proceeding or cause the same to be resisted and defended, by counsel designated by the party required to provide indemnification and approved in writing by the party to be defended, which approval shall not be unreasonably withheld.

Article 13.

Mortgages, Assignments and Subleases by Tenant

Section 13.01.Right to Transfer.

(a) Tenant's interest in this Lease may not be mortgaged, encumbered, assigned or otherwise transferred, or made the subject of any license or other privilege, by Tenant or by operation of law or otherwise, and the Premises may not be sublet, as a whole or in part, (any of the foregoing events, a "Transfer") without in each case having obtained the prior written consent of Landlord, and the execution and delivery to Landlord by the assignee or transferee (in either case, a "Transferee") of a good and sufficient instrument whereby such Transferee assumes (with respect to any sublease, to the extent of the subtenants' obligations under the applicable sublease) all obligations of Tenant under this Lease. The provisions of this Article 13 shall apply to a transfer (by one or more Transfers) of a controlling portion of or interest in the stock or partnership or membership interests or other evidences of equity interests of Tenant or sale of all or substantially all of the assets of Tenant as if such Transfer were an assignment of this Lease; provided, that, so long as equity interests in Tenant are traded on a nationally recognized public stock exchange, the transfer of equity

interests in Tenant on such public stock exchange shall not be deemed an assignment within the meaning of this Article. Subject to the provisions of this Article 13, Landlord shall not unreasonably withhold, condition or delay its consent to any sublet of all or any portion of the Premises or any assignment of Tenant's interest in this Lease. It shall be reasonable for Landlord to withhold its consent with respect to any proposed Transfer if the Transferee is not sufficiently creditworthy to meet its obligations under such assignment or sublease, as demonstrated by audited financial statements or equivalent evidence. It shall be reasonable for Landlord to deny its consent to any Transfer to any of the following so long as Landlord has competitive space in the Building (e.g. similar type and size of space, offered for a similar term) available for lease prior to the earlier to occur of the date that is 24 months following the initial Commencement Date to occur or the date that Building is first fully leased to unrelated third parties: (i) a tenant at the Property or in the office park known as Reservoir Woods; (ii) any party with whom Landlord has negotiated in the previous six (6) months with respect to space in the Building; (iii) any affiliates controlled by, controlling, or under common control with any tenant or party described in clauses (i) and (ii) hereof and it shall be reasonable for Landlord to withhold its consent to any Transfer in violation of the provisions of this sentence. It shall be reasonable for Landlord to withhold its consent to a Transfer to any party which would be of such type, character or condition as to be inappropriate, in Landlord's reasonable judgment, as a tenant for a first class suburban office building.

Nothing herein contained shall be construed as requiring Tenant to obtain any consent on the part of Landlord (i) as a condition to or any assignment resulting from any merger, consolidation, or sale of all or substantially all of the assets of Tenant, or acquisition of all or substantially all of the issued and outstanding capital stock of Tenant or (ii) as a condition to any assignment or sublease to any affiliates controlled by, controlling, or under common control with Tenant; provided that (a) Tenant gives Landlord at least twenty (20) days prior written notice of such event or Transfer (except that no prior notice need be given with respect to any Transfer referred to in clause (b) below to the extent that such notice is prohibited by law or by confidentiality agreement, in which case Tenant shall provide Landlord with notice of such Transfer within ten (10) business days following such Transfer) with evidence reasonably satisfactory to Landlord that the conditions of this paragraph have been satisfied, (b) in the case of an assignment, merger, consolidation or asset sale the Transferee shall be at least as creditworthy as the then Tenant as of the date that is three months prior to such Transfer, as demonstrated by audited financial statements or equivalent evidence (the determination of creditworthiness shall take into account all of the considerations which an institutional investor in real estate would consider in evaluating the credit of a proposed tenant), (c) the Transferees comply with the provisions of this Lease, and (d) with respect to a Transfer to any affiliate of Tenant pursuant to clause (ii), above, the provisions of this Article 13 shall apply to such Transfer if, as and when such affiliate ceases to be an affiliate of Tenant. Any Transferee referred to in the immediately preceding sentence is referred to herein as a "Permitted Transferee". Any such Permitted Transferee, however, shall be subject to the terms and conditions set forth in Section 13.02 below. For purposes of this Lease, control shall mean possession of more than 50 percent ownership of the shares of beneficial interest of the entity in question together with the power to control and manage the affairs thereof either directly or by election of directors and/or officers.

In connection with any request by Tenant for any consent to Transfer, Tenant shall provide Landlord with all relevant information requested by Landlord concerning the proposed Transferee's financial responsibility, credit worthiness and business experience to enable Landlord to make an informed decision. Tenant shall reimburse Landlord promptly for all reasonable out-of-pocket expenses incurred by Landlord including reasonable attorneys' fees in connection with the review of Tenant's request for consent to any Transfer.

Any purported Transfer under this Article 13 without Landlord's prior written consent or prior notice (as applicable) to the extent such consent or notice is required, shall be void and of no effect. No acceptance of Rent by Landlord from or recognition in any way of the occupancy of the Premises by a Transferee shall be deemed consent to such Transfer. Without limiting Landlord's right to withhold its consent to any Transfer by Tenant, and regardless of whether Landlord shall have consented to any such Transfer, neither Tenant nor any other person having an interest in the possession, use, or occupancy of any portion of the Premises shall enter into any lease, sublease, license, concession, assignment, or other transfer or agreement for possession, use, or occupancy of all or any portion of the Premises which 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 or entity from the space so leased, used, or occupied, and any such purported lease, sublease, license, concession, assignment, or other transfer or agreement shall be absolutely void and ineffective as a conveyance of any right or interest in the Premises. Furthermore, Tenant agrees that in the event Landlord determines, in its sole discretion, that there is any risk that all or part of any amount payable under or in connection with any Transfer shall cause any amounts to be received by Landlord to fail to qualify as "rents from real property" within the meaning of Code Sections 512(b)(3) and 856(d) and the Treasury Regulations thereunder, Tenant shall amend or modify the terms of such Transfer.

(b) In the event Tenant Transfers the Premises or any part thereof for consideration in excess of the obligations of Tenant to Landlord hereunder, other than with respect to a Permitted Transferee, Tenant shall from time to time within fifteen (15) days of receipt pay over to Landlord an amount equal to fifty percent (50%) of the excess, if any, of (1) any consideration, rent, or other amounts received by Tenant from such Transferee, over (2) the sum of the rents and other expenses payable by Tenant to Landlord hereunder, after such excess is applied to reimburse Tenant for the actual and reasonable third-party costs for legal fees, brokerage costs, leasehold improvements, free rent or other out-of-pocket rent concession payments incurred by Tenant in procuring the Transfer, and the amount of any unamortized costs incurred by Tenant for Excess Finish Work pursuant toExhibit 7.02. (Tenant's reimbursement for the costs of the Excess Finish Work shall be in monthly amounts to amortize such costs on a straight-line basis without interest over the term of the Transfer in question). Within ten (10) days after request by Landlord from time to time, Tenant shall provide Landlord with an itemized statement of all such costs, together with reasonable third party back-up documentation for the same. Without limiting the generality of the first sentence of this subparagraph, any lump-sum payment or series of payments actually or reasonably allocated to Tenant's interest in the Premises (including the purchase or use of so-called leasehold improvements), as opposed to other assets of Tenant, on account of any Transfer shall be deemed to be in excess of rent and other charges to the extent such payments, if amortized at a market interest rate over the period to which such charges relate, exceeds rent or

other charges allocable to the period to which such payments relate (i.e. if it is a single lump sum payment for an assignment of the entire lease, the period to which they would relate is the entire then-remaining term). In the event of any dispute regarding the allocation referenced in the immediately preceding sentence, either party may submit such matter to arbitration pursuant to the provisions of the last paragraph of Section 14.07(b) of this Lease.

Section 13.02.Tenant Remains Bound. No Transfer of any interest in this Lease, and no execution and delivery of any instrument of assumption pursuant to Section 13.01 hereof, shall in any way affect or reduce any of the obligations of Tenant under this Lease, but this Lease and all of the obligations of Tenant under this Lease shall continue in full force and effect as the obligations of a principal (and not as the obligations of a guarantor or surety). From and after any such Transfer, the obligations of each such Transferee and of the original Tenant named as such in this Lease to fulfill all of the obligations of Tenant under this Lease shall be joint and several (but, with respect to any sublease, solely with respect to the obligations assumed by the subtenant thereunder). Each violation of any of the covenants, agreements, terms or conditions of this Lease, whether by act or omission, by any of Tenant's permitted encumbrances, assignees, employees, transferees, licensees, grantees of a privilege, sub-tenants or occupancy, shall constitute a violation thereof by Tenant. The consent by Landlord to any Transfer shall not relieve Tenant or any Transferee from the obligation of obtaining the express consent of Landlord to any modification of such Transfer or a further Transfer by Tenant or such transferee.

Article 14.

Default

Section 14.01.Events of Default. It shall be an "Event of Default" in the event that:

(a) the Tenant shall default in the due and punctual payment of any installment of Base Rent, or any part hereof, when and as the same shall become due and payable and such default shall continue for more than five (5) business days after notice that such payment is due;

(b) the Tenant shall default in the payment of any Additional Rent, or any part thereof, when and as the same shall become due and payable, and such default shall continue for a period of ten (10) days, with respect to Tenant's regular monthly payments of Operating Expenses and Taxes, and (20) days otherwise, after notice that such payment is due; or

(c) the Tenant shall default in the observance or performance of any of the Tenant's covenants, agreements or obligations under Sections 10.01 and 10.02 of the Lease within the time periods set forth therein or default in the observance or performance of any of the Tenant's covenants, agreements or obligations under Section 20.06;

(d) the Tenant shall default in the observance or performance of any of the Tenant's covenants, agreements or obligations hereunder, other than those referred to in the foregoing clauses (a) — (c), and such default shall not be corrected within thirty (30) days after written notice; provided, however, if Tenant promptly commenced to cure the default and diligently pursued the cure, but such default was not capable of being cured by Tenant within the said thirty (30) day period and Tenant so notified Landlord promptly (but in any event within thirty (30) days after notice of such default was given) together with an estimate of the reasonable time required for such cure, Tenant shall be allowed such longer period, but in no event longer than 180 days; or

(e) the Tenant shall file a voluntary petition in bankruptcy or shall be adjudicated bankrupt or insolvent, shall file any petition or answer seeking any reorganization, arrangement, composition, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or shall seek, or consent, or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant of all or any substantial part of their respective properties, or of the Premises, or shall make any general assignment for the benefit of creditors; or

(f) a petition is filed against Tenant seeking any reorganization, arrangement, composition, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such petition is not dismissed within sixty (60) days;

then, unless and until Landlord accepts a full cure of the default giving rise to the Event of Default, Landlord shall have the right thereafter to re-enter and take complete possession of the Premises, to declare this Lease terminated by written notice to Tenant and to remove the Tenant's effects without prejudice to any remedies which might be otherwise used for arrears of Rent or other Event of Default. Any written notice of termination by Landlord may, at Landlord's express election, serve as any statutory demand or notice that is a prerequisite to Landlord's commencement of eviction proceedings against Tenant, and may, at Landlord's express election, be included in any notice of default (provided, however, that any such notice included in a notice of default shall not be effective unless and until the expiration of applicable notice and cure periods).

The Tenant shall indemnify the Landlord against all loss of Rent and other payments which the Landlord may incur by reason of such termination during the residue of the term. Without limiting the generality of the foregoing, Landlord may elect by written notice to Tenant following such termination to be indemnified for loss of Rent by a lump sum payment representing the present value of the amount of Base Rent and Additional Rent which would have been paid in accordance with this Lease for the remainder of the term minus the present value of the aggregate fair market rent and Additional Rent for the Premises on an "as-is" basis during such time period, estimated as of the date of termination, and taking into account reasonable projections of vacancy and time required to re-let the Premises. (For purposes of the lump sum calculation, Additional Rent for the last 12 months prior to termination shall be deemed to increase for each year thereafter by the average annual increase during the immediately preceding 5 years in the Consumer Price Index - All Urban Consumers for the Boston Metropolitan area published by the U.S. Department of Labor or a comparable

index reasonably selected by Landlord. The Federal Reserve discount rate, or equivalent, plus 2% shall be used in calculating present values.) In the absence of such election, Tenant shall indemnify Landlord for the loss of Rent by a payment at the end of each month which would have been included in the term equal to the difference between the Base Rent and Additional Rent which would have been paid in accordance with this Lease and the Rent actually derived from the Premises by Landlord for such month.

In addition to the payment(s) due under the prior paragraph, Tenant shall reimburse Landlord for all reasonable expenses arising out of the termination, including without limitation, all costs incurred by Landlord in attempting to re-let the Premises or parts thereof such as advertising, brokerage commissions, tenant fit-up costs, and legal expenses. The reimbursement from Tenant shall be due and payable immediately from time to time upon notice from Landlord of the expense so incurred. Landlord shall use reasonable efforts re-let the Premises in the event the Lease is terminated pursuant to this Article 14, however, Landlord's obligation shall be subject to the reasonable requirements of Landlord to lease other available space for comparable use prior to reletting the Premises and to lease to high quality tenants in a harmonious manner with an appropriate mix of uses, tenants, floor areas and terms of tenancies. The provisions of this Section 14.01, and Tenant's obligations to Landlord hereunder, shall survive the termination of this Lease.

Section 14.02.Landlord's Right to Cure. If an Event of Default occurs or Landlord reasonably determines that an emergency posing imminent threat of injury or damage to persons or property exists, the Landlord, without being under any obligation to do so and without thereby waiving its rights with regard to any Event of Default, may, after prior written notice to Tenant (prior written notice shall not be required if not practical in the case of an emergency posing imminent threat of injury or damage to persons or property) remedy the default giving rise to the Event of Default , or the imminent threat, for the account and at the expense of the Tenant. If the Landlord makes any reasonable expenditures or incurs any reasonable obligations for the payment of money in connection therewith, including but not limited to reasonable attorney's fees in instituting, prosecuting or defending any action or proceeding, such sums paid or obligation incurred and costs, shall be paid upon demand to the Landlord by the Tenant as Additional Rent and, if not paid within five (5) business days following notice that such amount is past due (provided that no such notice shall be required following the first two such notices in any 12 month period) with interest at the rate of eighteen (18%) percent per annum for the purposes of late payments of Base Rent or regular monthly payments of Operating Expenses and Taxes, and otherwise at the Prime Rate plus six percent (6%) per annum, (the applicable such rate, the "Default Rate") calculated as of the date such payments were due.

Section 14.03.No Waiver. No failure by either party to insist upon strict performance of any covenant, agreement, term or condition of this Lease, or to exercise any right or remedy consequent upon breach thereof, and no acceptance by Landlord of full or partial Rent during the continuance of any breach, shall constitute a waiver of any such breach or of any covenant, agreement, term or condition. No covenant, agreement, term or condition of this Lease to be performed or complied with by either party, and no breach thereof, shall be waived, altered or modified except by written instrument executed by the other party. No waiver of any breach shall

affect or alter this Lease, but each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Section 14.04.Late Payments. In the event (i) any payment of Rent is not paid within five (5) business days of the due date, or (ii) a check received by Landlord from Tenant shall be dishonored, then because actual damages for a late payment or for a dishonored check are extremely difficult to fix or ascertain, but recognizing that damage and injury result therefrom, Tenant agrees to pay 5% of the amount due in (i) as liquidated damages for each late payment and 2.5% of the amount due in (ii) as liquidated damages for each time a check is dishonored. Notwithstanding the foregoing, no payment shall be due under the foregoing sentence for the first late payment of Rent in any twelve (12) month period if such Rent payment is made within five (5) business days after written notice from Landlord to Tenant. Furthermore, if any payment of Rent shall not be paid when due, the same shall bear interest, from the date when the same was due until the date paid, at the Default Rate; provided, however, that no interest shall be due with respect to late payments of Rent on the first occasion in any 12 month period unless Tenant fails to make such payment within five (5) business days after Landlord gives Tenant notice of such delinquency. (The grace periods herein provided are strictly related to the liquidated damages for, and interest on, a late payment and shall in no way modify or stay Tenant's obligation to pay Rent when it is due, nor shall the same preclude Landlord from pursuing its remedies under this Article 14, or as otherwise allowed by law.)

Section 14.05.Remedies Cumulative. Each right and remedy of Landlord provided for in this Lease shall be cumulative and concurrent and shall be in addition to every other right or remedy provided for in this Lease now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Landlord of any one or more of the rights or remedies provided for in this Lease now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

Section 14.06.Landlord's Obligation to Make Payments. Tenant shall not be entitled to offset against Rent any payments due from Landlord to Tenant except as expressly set forth herein.

Section 14.07.Landlord Defaults.

(a) Landlord shall in no event be in default in the performance of any of Landlord's obligations under the terms of this Lease unless and until Landlord shall have failed to perform such obligation within thirty (30) days after notice by Tenant to Landlord ("Tenant Default Notice") specifying the manner in which Landlord has failed to perform any such obligations (provided, however, if Landlord promptly commences to cure the default and diligently pursues the cure, but such default is not capable of being cured by Landlord within the said thirty (30) day period and Landlord so notifies Tenant promptly (but in any event within thirty (30) days after such Tenant Default Notice is given) together with an estimate of the reasonable time required for such cure, Landlord shall

be allowed such longer period, , but in no event longer than 180 days). The provisions of this Section 14.07 shall not apply to Landlord's obligations to complete the Landlord Work, the sole and exclusive remedies for which are set forth in Section 1.03 of this Lease.

(b) Tenant's Self-Help Right. If Landlord is in default in the performance of any of its obligations hereunder beyond applicable notice and cure periods, then Tenant shall have the right to remedy such default on Landlord's behalf (provided that Tenant uses reasonable efforts to avoid violating or rendering void any warranties maintained by Landlord) after ten (10) business days prior notice to Landlord, in which event Landlord shall reimburse Tenant within 30 days after invoice for all reasonable costs and expenses incurred by Tenant in connection therewith to the extent in excess of Tenant's Pro Rata Share of the Operating Expenses that Tenant would have been obligated to pay had Landlord performed such obligations within applicable notice and cure periods, together with interest at the Default Rate, and if not so paid then Tenant shall have the right to recover the same by an abatement of Base Rent, provided that such abatement shall cease at such time as and to the extent that payment of the full amount then due Tenant hereunder is tendered to Tenant. Notwithstanding the foregoing, if Landlord disputes Tenant's right to abate Base Rent, or the amount of the abatement, such dispute shall be resolved in an arbitration proceeding pursuant to the immediately following paragraph prior to any abatement of disputed amounts by Tenant and if the amount of the abatement is more than 20% of the aggregate amount of Base Rent due in any month, then the amount abated in any one month shall not exceed 20% of the Base Rent and the excess amount of the abatement shall be carried forward with interest at the Default Rate. Tenant's self-help rights under this paragraph shall be exercised by Tenant only (i) with respect to conditions actually existing within the Premises or, in the event of an emergency, in common areas of the Building, and (ii) with respect to conditions that materially affect Tenant's ability to use and enjoy the Premises and to conduct Tenant's operations therein. Tenant is not precluded from entering into other tenant spaces in the exercise of the foregoing self-help rights to the extent reasonably necessary to access common areas of the Building; provided, however, that (x) any such entry by Tenant's shall be at its own risk and expense and (y) Tenant obtains, in advance, an agreement from the other tenant allowing such entry. The provisions of this paragraph may not be exercised by any subtenants of Tenant.

Any arbitration decision under this paragraph shall be enforceable in accordance with applicable law in any court of proper jurisdiction. Within fifteen (15) days after Landlord requests arbitration by notice to Tenant, the parties shall direct the Boston office of the AAA to appoint an arbitrator who shall have a minimum of ten (10) years experience in commercial real estate disputes and who shall not be affiliated with either Landlord or Tenant. Both Landlord and Tenant shall have the opportunity to present evidence and outside consultants to the arbitrator. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the AAA insofar as such rules are not inconsistent with the provisions of this Lease (in which case the provisions of this Lease shall govern). The cost of the arbitration (exclusive of each party's witness and attorneys' fees, which shall be paid by such party) shall be borne equally by the parties. The decision of the arbitrator(s) shall be final and binding on the parties. The parties shall comply with any orders of the arbitrator(s) establishing deadlines for any such proceeding.

Article 15.

Surrender

Section 15.01.Obligation to Surrender. Tenant shall, upon any expiration or earlier termination of the term of this Lease, remove all of Tenant's Property from the Premises unless otherwise approved by Landlord in writing. Tenant shall peaceably vacate and surrender to the Landlord the Premises and deliver all keys, locks thereto, and subject to Section 8.01 all alterations and additions made to or upon the Premises, in the same condition as they were at the commencement of the term, or as they were put in during the term hereof, reasonable wear and tear and, to the extent Landlord is required to restore the same, damage by fire or other casualty or taking or condemnation by public authority excepted. In the event of the Tenant's failure to remove any of Tenant's Property from the Premises, Landlord is hereby authorized, without liability to Tenant for loss or damage thereto, and at the sole risk of Tenant, to remove and store any of the property at Tenant's expense, or to retain same under Landlord's control or to sell at public or private sale, after thirty (30) days notice to Tenant at its address last known to Landlord, any or all of the property not so removed and to apply the net proceeds of such sale to the payment of any sum due hereunder, or to destroy such property.

Section 15.02.Holdover Remedies. If Tenant (or anyone claiming by, through, or under Tenant) shall remain in possession of the Premises or any part thereof after the expiration or earlier termination of this Lease with respect thereto without any agreement in writing executed with Landlord, Tenant shall be deemed a tenant at sufferance. After the expiration or earlier termination of the term of this Lease, Tenant shall pay Base Rent at the higher of (x) 150% of the Base Rent in effect immediately preceding such expiration or termination or, (y) 150% of the then-market rate for the Premises, and, in either case, with all Additional Rent payable and covenants of Tenant in force as otherwise herein provided, and, commencing on the date that is 45 days after the expiration or earlier termination of this Lease, Tenant shall be liable to Landlord for all damages arising from such failure to surrender and vacate the Premises, including damages arising from the loss of a replacement lease transaction. Notwithstanding the forgoing to the contrary, clause (y) of this paragraph, above, shall not apply in the event that the Lease terminates prior to its scheduled expiration on account of the exercise of termination rights by either party pursuant to Article 11 or Tenant pursuant to Section 7.06.

Section 15.03.Decommissioning. Prior to the expiration of this Lease (or within 30 days after any earlier termination), Tenant shall clean and otherwise decommission all interior surfaces (including floors, walls, ceilings, and counters), process piping, process supply lines, process waste lines and process plumbing in the Premises, and all exhaust or other ductwork in the Premises, in each case which has carried or released or been exposed to any Hazardous Materials (other than ordinary and customary office supplies and cleaning fluids) from the operations of Tenant or any person claiming by or through Tenant, and shall otherwise clean the Premises so that:

(a) the Hazardous Materials from Tenant (or any person claiming by or through Tenant) operations, to the extent, if any, existing prior to such decommissioning, have been removed as necessary so that the interior surfaces (including floors, walls, ceilings, and counters), process piping, process supply lines, process waste lines and process plumbing, and all such exhaust or other ductwork, may be reused by a subsequent tenant or disposed of in compliance with applicable Environmental Laws without taking any special precautions for Hazardous Materials, without incurring special costs or undertaking special procedures for demolition, disposal, investigation, assessment, cleaning or removal of Hazardous Materials and without incurring regulatory compliance requirements or giving notice in connection with Hazardous Materials; and

(b) the Premises may be reoccupied for office, laboratory or research and development use, demolished or renovated without taking any special precautions for Hazardous Materials, without incurring special costs or undertaking special procedures for disposal, investigation, assessment, cleaning or removal of Hazardous Materials and without incurring regulatory requirements or giving notice in connection with Hazardous Materials.

Further, for purposes of clauses (a) and (b): (i) materials previously or hereafter generated from operations shall not be deemed part of the Premises, and (ii) "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 Hazardous Materials as Hazardous Materials instead of non-Hazardous Materials. Prior to the expiration of this Lease (or within 30 days after any earlier termination), Tenant, at Tenant's expense, shall obtain for Landlord a report addressed to Landlord (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 confirm that Tenant has complied with the requirements of this Section 15.03. The report shall include reasonable detail concerning the clean-up location, the tests run and the analytic results.

Tenant may, by written request made no earlier than six months prior to the then-scheduled expiration of the term of this Lease, request that Landlord approve the scope of Tenant's decommissioning activities under this Section 15.03 in writing, which approval shall not be unreasonably withheld, conditioned or delayed.

Section 15.04.Failure to Decommission. If Tenant fails to perform its obligations under Section 15.03 within ten (10) days after the expiration of the term of this Lease, 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 out-of-pocket costs and expenses incurred by Landlord in connection with such work. In addition, any such reimbursement shall include a ten percent (10%) administrative fee (but in no event less than $1,000) to cover Landlord's overhead in undertaking such work and, if the expiration of the term has occurred on account of a Tenant default or if the Landlord has, prior to the regularly scheduled expiration of the term, previously approved the scope of Tenant's decommissioning activities under Section 15.03 in writing, then Tenant shall be deemed to be in occupancy of the Premises as a holdover occupant subject to Section 15.02 until the

obligations are fully performed. The reimbursement and administrative fee shall be Additional Rent. Tenant's obligations under this Article 15 of this Lease shall survive the termination of this Lease.

Article 16.

Quiet Enjoyment

Section 16.01.Covenant of Quiet Enjoyment. Tenant, subject to any ground leases, deeds of trust and mortgages to which this Lease is from time to time subordinate in accordance with Article 10, upon paying the Rent and performing and complying with all covenants, agreements, terms and conditions of this Lease on its part to be performed or complied with, shall not be prevented by the Landlord, or anyone claiming by, through or under Landlord, from lawfully and quietly holding, occupying and enjoying the Premises during the term of this Lease, except as specifically provided for by the terms hereof. This covenant is in lieu of any other so-called quiet enjoyment covenant, either express or implied.

Article 17.

Acceptance of Surrender

Section 17.01.Acceptance of Surrender. No surrender to Landlord of this Lease or of the Premises or any part thereof or of any interest therein by Tenant shall be valid or effective unless required by the provisions of this Lease or unless agreed to and accepted in writing by Landlord. No act on the part of any representative or agent of Landlord, and no act on the part of Landlord other than such a written agreement and acceptance by Landlord, shall constitute or be deemed an acceptance of any such surrender.

Article 18.

Notices

Section 18.01.Means of Giving Notice. All notices, demands, requests and other instruments which may or are required to be given by either party to the other under this Lease shall be in writing. All notices, demands, requests and other instruments from Landlord to Tenant shall be deemed to have been properly given if sent by United States certified mail, return receipt requested, postage prepaid, or if sent by prepaid Federal Express or other similar overnight delivery service which provides a receipt, addressed to Tenant at the Premises, attn: Kathryn L. Biberstein, General Counsel (and, until Tenant occupies the Premises, to Tenant at 88 Sidney Street, Cambridge, Massachusetts, 02139, attn: Kathryn L. Biberstein, General Counsel or at such other address or addresses as the Tenant from time to time may have designated by written notice to Landlord, with a copy to Langer & McLaughlin, LLP, 137

Newbury Street, Suite 700, Boston, Massachusetts 02116, Attn: Doug McLaughlin, Esq. All notices, demands, requests and other instruments from Tenant to Landlord shall be deemed to have been properly given if sent by United States certified mail, return receipt requested, postage prepaid or if sent by prepaid Federal Express or other similar overnight delivery service which provides a receipt, addressed to Landlord, c/o Davis Marcus Partners, Inc., One Appleton Street, Boston, Massachusetts 02116, Attn: Jonathan G. Davis, with copies to Marcus Partners, Inc., 75 Park Plaza, 4th Floor, Boston, Massachusetts 02116, Attn: Paul R. Marcus; The Prudential Insurance Company of America, c/o Prudential Real Estate Investors, 8 Campus Drive, Parsippany, New Jersey 07054, Attn.: Lynn DeCastro; and Richard D. Rudman, Esq., DLA Piper LLP (US), 33 Arch Street, Boston, Massachusetts 02110. Any notice shall be deemed to be effective upon receipt by, or attempted delivery to, the intended recipient. Any notice under this Lease may be given by counsel to the party giving such notice.

Article 19.

Separability of Provisions

Section 19.01.Severability. If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or contrary to applicable law or unenforceable, the remainder of this Lease, and the application of such term or provision to persons or circumstances other than those as to which it is held invalid or contrary to applicable law or unenforceable, as the case may be, shall not be affected thereby, and each term and provision of this Lease shall be legally valid and enforced to the fullest extent permitted by law.

Article 20.

Miscellaneous

Section 20.01.Amendments. This Lease may not be modified or amended except by written agreement duly executed by the parties hereto.

Section 20.02.Governing Law. This Lease shall be governed by and construed and enforced in accordance with the laws of the state in which the Property is located.

Section 20.03.Counterparts. This Lease may be executed in several counterparts, each of which shall be an original but all of which shall constitute but one and the same instrument.

Section 20.04.Successors and Assigns. The covenants and agreements herein contained shall, subject to the provisions of this Lease, bind and inure to the benefit of Landlord, its successors and assigns, and Tenant, and Tenant's permitted successors and assigns, and no extension, modification or change in the terms of this Lease effected with any successor, assignee or transferee shall cancel or affect the obligations of the original Tenant hereunder unless agreed to in writing by Landlord. The term "Landlord" as used herein and throughout the Lease shall mean only the owner or owners at the time in question of Landlord's interest in this Lease. Upon any transfer of such interest, from and after the date of such transfer, Landlord herein named (and in case of any subsequent transfers the then transferor), shall be relieved of all liability for the performance of any obligations on the part of the Landlord contained in this Lease except for defaults by Landlord prior to such transfer or monies owed by Landlord to Tenant and which were not assigned to and repayment or performance thereof assumed by such transferee, provided that if any monies are in the hands of Landlord or the then transferor at the time of such transfer, and in which Tenant has an interest, shall be delivered to the transferee, then Tenant shall look only to such transferee for the return thereof.

Section 20.05.Merger Clause. This instrument (including the exhibits) contains the entire and only agreement between the parties regarding the lease of the Premises, and no oral statements or representations or prior written matter not contained in this instrument shall have any force or effect.

Section 20.06.Notice of Lease. Upon the mutual execution and delivery of this Lease, and thereafter, at the request of either Landlord or Tenant in connection with any amendment, the parties shall execute a document in recordable form containing only such information as is necessary to constitute a Notice of Lease under Massachusetts law. All recording costs for such notice shall be borne by Tenant. At the expiration or earlier termination of this Lease, Tenant shall provide Landlord with an executed termination of the Notice of Lease in recordable form, which obligation shall survive such expiration or earlier termination.

Section 20.07.No Lease. The submission of this Lease for review or comment shall not constitute an agreement between Landlord and Tenant until both have signed and delivered copies thereof.

Section 20.08.Reimbursements. Whenever Tenant is required to obtain Landlord's approval hereunder, Tenant agrees to reimburse Landlord all reasonable out-of-pocket expenses incurred by Landlord, including reasonable attorney fees in order to review documentation or otherwise determine whether to give its consent.

Section 20.09.Financial Statements. If, at any time, Tenant ceases to be a publicly traded company subject to the reporting requirements of the SEC, then Tenant, within 30 days following the end of each fiscal quarter occurring during the term shall furnish to Landlord an accurate, up-to-date financial statement of Tenant showing Tenant's financial condition for the immediately preceding fiscal quarter and, with respect to the fourth fiscal quarter, the fiscal year, such annual statement to be audited if available, together with a certification from Tenant's chief financial officer as to whether Tenant then complies with the Financial Test. Tenant shall also

use commercially reasonable efforts to provide the foregoing annual financial statements for any Transferee of more than 33% of the Premises that is not a publicly traded company subject to the reporting requirements of the SEC. If any such financial statements are not publicly available, Landlord shall treat the financial statements confidentially, but shall be permitted to provide them to prospective and current lenders and prospective purchasers.

Section 20.10.Parking. Landlord agrees that, during the term of this Lease, Tenant shall have the right (at no additional charge, other than to the extent provided as Operating Expenses) to use 351 (based on a ratio of 3.5 spaces per 1,000 rentable square feet of the Premises) non-designated parking spaces as may be reasonably necessary to accommodate officers, employees, guests, invitees and clients, in connection with the operation of its business following the initial Commencement Date. Included within the foregoing spaces are 35 (based on a ratio of 1 per 2,800 rentable square feet of the Premises) non-designated parking spaces located in the parking garage on the lower level of the Building, with direct access to the Building lobby serving the Premises. The balance of Tenant's parking spaces shall be located in the areas shown onExhibit 20.10, attached. At Landlord's election and at no cost to Tenant, Landlord may designate parking spaces for exclusive use by Tenant and other tenants of the Property and may install signage or implement a pass or sticker system to control parking use, and may employ valet parking to meet the requirements of this Section. To the extent applicable to Tenant's use of the parking spaces, the provisions of the Lease shall apply, including rules and regulations of general applicability from time to time promulgated by Landlord.

Section 20.11.Future Development. (a) Landlord reserves all rights as may be necessary or desirable to construct additional structured parking at the Property in the location shown onExhibit 20.11 or, if otherwise permitted under this Section 20.11(a), one or more additions to the Building. In connection with any such additional development, exterior common areas and facilities at the Property may be eliminated, altered, or relocated and may also be utilized to serve the Building addition(s) and other new improvements. The rights set forth above shall include rights to use portions of the Property (other than the Premises) for the purpose of temporary construction staging and related activities and to implement valet parking for reserved and unreserved parking spaces for the purpose of facilitating construction during such activities. Landlord agrees that, so long as no Event of Default is continuing under this Lease, it shall not construct any material additions to the Building unless such construction is in accordance with the exercise of Tenant's rights pursuant to Article 25 and it shall not construct any additional structured parking that would inhibit Tenant's rights pursuant to Article 25 in any material manner.

(b) Landlord and its representatives, contractors, agents, employees and licensees shall have the right during any construction period to enter the Premises to undertake such work; to shore up the foundations and/or walls of the Premises and other improvements at the Property; to erect scaffolding and protective barricades around the Premises or in other locations within or adjacent to the other improvements at the Property; and to do any other act necessary for the safety of the Premises or other improvements at the Property or the expeditious completion of such construction. Landlord shall use reasonable efforts not to interfere with the conduct of Tenant's business and to minimize the extent and duration of any inconvenience, annoyance or

disturbance to Tenant resulting from any work pursuant to this Section in or about the Premises or Property, consistent with accepted construction practice, and so long as Landlord uses such reasonable efforts Landlord shall not be liable to Tenant for any compensation or reduction of Rent by reason of inconvenience or annoyance or for loss of business resulting from any act by Landlord pursuant to this Section.

(c) In connection with the foregoing or as Landlord may otherwise reasonably determine is necessary to accommodate the financing or operation of the Building, Landlord may create a subsidiary condominium or subject the Property to a ground lease. In the event the Building is submitted to a subsidiary condominium regime, the Property shall be deemed to be the condominium unit in which the Premises is located and all common areas and facilities serving such unit of the condominium, and, at the request of either Landlord or Tenant,Exhibit 1.01-2 shall be amended accordingly. This Lease shall be subject and subordinate to any such ground lease or condominium (and covenants and easements granted in connection therewith) so long as the same are not inconsistent in any material respect with Tenant's rights under this Lease. Tenant agrees to enter into any instruments reasonably requested by Landlord in connection with the foregoing so long as the same do not decrease the rights or increase the obligations of Tenant under this Lease, including a subordination of this Lease to a ground lease or documents creating a subsidiary condominium at the Property. Tenant agrees not to take any action to oppose any application by Landlord for any permits, consents or approvals from any governmental authorities for any redevelopment or additional development of all or any part of the Property, and will use all commercially reasonable efforts to prevent any of Tenant's subtenants or assigns (collectively, "Tenant Responsible Parties") from doing so. For purposes hereof, action to oppose any such application shall include, without limitation, communications with any governmental authorities requesting that any such application be limited or altered. Also for purposes hereof, commercially reasonable efforts shall include, without limitation, commercially reasonable efforts, upon receiving notice of any such action to oppose any application on the part of any Tenant Responsible Parties, to obtain injunctive relief, and, in the case of a subtenant, exercising remedies against the subtenant under its sublease. Landlord will reimburse Tenant for all reasonable third party attorneys' fees that Tenant incurs to review any such documents and agreements.

Section 20.12.Signage. So long as the Tenant originally named herein, or any successor or assign acquiring Tenant's interest in the Lease in a merger or acquisition of all or substantially all of Tenant's business and assets, is the Tenant hereunder, the Premises consist of at least 80,000 rentable square feet and continues to include the 852 Winter Street entrance and lobby, and subject to applicable laws, codes and ordinances, Tenant, at Tenant's cost, may install the signage described onExhibit 20.12, attached. Any signage installed by Tenant pursuant to this paragraph shall be the responsibility of Tenant, and the design of such signage shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned, or delayed. All signage described in this Section 20.12 shall be consistent in quality with similar signage in first class office, laboratory, research and development buildings. Landlord shall cooperate with Tenant, at Tenant's cost, as is reasonably required for Tenant to obtain the approvals necessary for all such signage.

Section 20.13.Brokers. Landlord and Tenant each represent and warrant that they have not directly or indirectly dealt with any broker with respect to the leasing of the Premises other than CB Richard Ellis and Colliers Meredith & Grew ("Brokers"). Each party agrees to exonerate and save harmless and indemnify the other against any loss, cost, claim or expense (including reasonable attorney's fees) resulting from its breach of the forgoing representation and warranty. Brokers are to be paid by Landlord pursuant to the terms of a separate agreement.

Section 20.14.Force Majeure. In the event Landlord or Tenant shall be delayed or hindered in or prevented from the performance of any act (excluding monetary obligations) required under this Lease to be performed by such party by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restricted governmental law or regulations, riots, insurrection, war or other reason of a like nature not the fault of such party, then performance of such act shall be excused for the period of the delay, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. Nothing in this Section 20.14 shall excuse Landlord or Tenant's failure to make payments under this Lease when due.

Section 20.15.Limitations on Liability. None of the provisions of this Lease shall cause Landlord to be liable to Tenant, or anyone claiming through or on behalf of Tenant, for any special, indirect or consequential damages, including, without limitation, lost profits or revenues. None of the provisions of this Lease shall cause Tenant to be liable to Landlord, or anyone claiming through or on behalf of Landlord, for any special, indirect or consequential damages, including, without limitation, lost profits or revenues, except for a breach of Section 5.02(b)-(c) of this Lease or as otherwise provided in Section 15.02 of this Lease, and provided that no remedy expressly set forth in this Lease shall be deemed special, indirect or consequential. In no event shall any individual partner, officer, shareholder, trustee, beneficiary, director, agent or similar party be liable for the performance of or by Landlord or Tenant under this Lease or any amendment, modification or agreement with respect to this Lease. Tenant agrees to look solely to Landlord's interest in the Property in connection with the enforcement of Landlord's obligations in this Lease.

Section 20.16.Certain Definitions. The expression "the original term" means the period of years referred to in Article 2. Prior to the exercise by Tenant of any election to extend the original term, the expression "the term of this Lease" or any equivalent expression shall mean the original term; after the exercise by Tenant of the aforesaid election or other extension of the term, the expression "the term of this Lease" or any equivalent expression shall mean the original term as extended. The expression "attorneys fees" includes reasonable fees of in-house and external counsel.

Section 20.17.Prevailing Parties. Landlord shall pay all reasonable attorney's fees incurred by Tenant in connection with any legal action concerning an alleged breach of this Lease to the extent that Tenant is the prevailing party. Tenant shall pay all reasonable attorney's fees incurred by Landlord in connection with any legal action concerning an alleged breach of this Lease to the extent that Landlord is the prevailing party.

Section 20.18. Waiver of Trial by Jury. LANDLORD AND TENANT WAIVE TRIAL BY JURY IN ANY ACTION TO WHICH THEY ARE PARTIES, and further agree that any action arising out of this Lease (except an action for possession by Landlord, which may be brought in whatever manner or place provided by law) shall be brought in the Trial Court, Superior Court Department, in the county where the Premises are located. Tenant expressly submits and consents in advance to such jurisdiction in any action or proceeding commenced in such court, hereby waiving personal service of the summons and complaint, or other process or papers issued therein and agreeing that service of such summons and complaint or other process or papers may be made by registered or certified mail addressed to Tenant at the address of Tenant set forth in Section 18.01 hereof.

Section 20.19. Landlord's Reserved Rights. Landlord reserves the right from time to time, without unreasonable (except in emergency) interruption of Tenant's use and access to 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 , provided that (a) no such installations, replacements or relocations in the Premises shall be placed, to the extent reasonably practicable, below dropped ceilings, to the inside of interior walls, or above floors and (b) all such work necessitating entry into the Premises shall be subject to the provisions of Section 7.03; (ii) to grant easements and other rights with respect to the Property, and (iii) to alter, relocate or eliminate common areas and facilities in the Building, or on or serving the Property, including with limitation the alteration or relocation (but not the elimination of) the Amenities, from time to time so long as is there is no material adverse effect on access to, or use and occupancy of, the Premises and all such additions, reconstruction and eliminations are consistent with a first class office building in the suburban Boston area. Landlord shall use reasonable efforts not to interfere with the conduct of Tenant's business and to minimize the extent and duration of any inconvenience, annoyance or disturbance to Tenant resulting from any work pursuant to this paragraph in or about the Premises or Building, consistent with accepted construction practice, and so long as Landlord uses such reasonable efforts Landlord shall not be liable to Tenant for any compensation or reduction of Rent by reason of inconvenience or annoyance or for loss of business resulting from any act by Landlord pursuant to this paragraph.

Section 20.20. Tenant as non-Specially Designated National or Blocked Person. Tenant hereby warrants, represents and certifies Tenant is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person", or other banned or blocked person, group, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control and that it is not engaged in this transaction, directly or indirectly, on behalf of, or instigating or facilitating this transaction, directly or indirectly, on behalf of any such person, group, entity, or nation. Tenant agrees that any breach of the foregoing shall at Landlord's election be a default under this Lease for which there shall be no cure, and Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorneys' fees and costs) arising from or related to any breach of the foregoing warranty, representation, and certification. Tenant acknowledges and agrees that as a condition to the requirement or effectiveness of any consent to any Transfer

by Landlord pursuant to Section 13.01, Tenant shall cause each Transferee (including any Permitted Transferee), for the benefit of Landlord, to reaffirm, on behalf of such Transferee, the representations of, and to otherwise comply with the obligations set forth in, this Section 20.20, and it shall be reasonable for Landlord to refuse to consent to a Transfer in the absence of such reaffirmation and compliance. Tenant agrees that breach of the representations and warranties set forth in this Section 20.20 shall at Landlord's election be a default under this Lease for which there shall be no cure. This Section 20.20 shall survive the termination or earlier expiration of the Lease.

Section 20.21.Authority. Tenant warrants and represents that (a) Tenant is duly organized, validly existing and in good standing under the laws of Massachusetts; (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 in all material respects 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, (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 (v) the Lease is a valid and binding obligation of Tenant in accordance with its terms. Tenant 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. This Section 20.21 shall survive the termination or earlier expiration of the Lease.

Section 20.22.Environmental Representation. Landlord represents and warrants that, on the Delivery Date for each Portion of the Premises, such Portion of the Premises shall not contain any Hazardous Materials other than materials customarily used in the construction or operation of comparable suburban office buildings.

Article 21.

Rooftop License

Section 21.01.Rooftop License. Landlord grants Tenants the appurtenant, non-exclusive, and irrevocable (except upon the expiration or earlier termination of this Lease) license at no additional charge, but otherwise subject to the terms and conditions of this Lease, to use a contiguous portion of the roof of the Building approved by Landlord (the "Rooftop Installation Areas") to operate, maintain, repair and replace heating, ventilation and air-conditioning equipment and telecommunications transmission and receiving equipment for Tenant's own use, such as a satellite dish, microwave dish, and the like, in each case appurtenant to the Permitted Uses installed as part of Finish Work or otherwise as permitted pursuant to Article 8 ("Rooftop Equipment"). The exact location and layout of the Rooftop Installation Areas shall be approved by Landlord in its reasonable discretion and shall not exceed in area the Tenant's Pro Rata Share of rooftop areas made available to tenants in the Building for similar purposes.

Section 21.02.Installation and Maintenance of Rooftop Equipment. Tenant shall install Rooftop Equipment at its sole cost and expense, at such times and in such manner as Landlord may reasonably designate and in accordance with all of the provisions of this Lease, including without limitation Article 8. Tenant shall not install or operate Rooftop Equipment until it receives prior written approval of the plans for such work in accordance with Article 8. Landlord may withhold approval if the installation or operation of Rooftop Equipment reasonably would be expected to damage the structural integrity of the Building. Tenant shall cooperate with Landlord as reasonably required to accommodate any re-roofing of the Building during the Lease term and Tenant shall be responsible for any costs associated with moving or temporarily relocation Tenant's Roof Equipment to the extent such Rooftop Equipment is not attached to the roof with permanent flashing or equivalent measures consistent with the permanent installation of such Rooftop Equipment (as opposed to surface mounting or use of ballasts). Tenant's access to the rooftop for the purposes of exercising its rights and obligations under this Article 21 shall be limited to Normal Business Hours by prior appointment with the property manager, except in the case of emergencies threatening life or personal property.

Tenant shall engage Landlord's roofer before beginning any rooftop installations or repairs of Rooftop Equipment, whether under this Article 21 or otherwise, and shall always comply with the roof warranty governing the protection of the roof and modifications to the roof. Tenant shall obtain a letter from Landlord's roofer following completion of such work stating that the roof warranty remains in effect. Tenant, at its sole cost and expense, shall cause a qualified contractor to inspect the Rooftop Installation Areas periodically (and at least two times per year) and correct any loose bolts, fittings or other appurtenances and shall repair any damage to the roof caused by the installation or operation of Rooftop Equipment. Tenant shall pay Landlord following a written request therefor, with the next payment of Rent, (i) all applicable taxes or governmental charges, fees, or impositions imposed on Landlord because of Tenant's use of the Rooftop Installation Areas and (ii) the amount of any increase in Landlord's insurance premiums as a result of the installation of Rooftop Equipment. All Rooftop Equipment shall be screened or otherwise designed so that it is not visible from the ground level of the Property.

Section 21.03.Indemnification. Indemnification. Tenant agrees that the installation, operation and removal of Rooftop Equipment shall be at its sole risk. Tenant shall indemnify and defend Landlord and the other Indemnitees against any liability, claim or cost, including reasonable attorneys' fees, incurred in connection with the loss of life, personal injury, damage to property or business or any other loss or injury (except to the extent due to the negligence or willful misconduct of Landlord or its employees, agents, or contractors) arising out of the installation, use, operation, or removal of Rooftop Equipment by Tenant or its employees, agents, or contractors, including any liability arising out of Tenant's violation of this Article 21. Subject to the provisions of Section 21.05, Landlord assumes no responsibility for interference in the operation of Rooftop Equipment caused by other tenants' equipment, or for interference in the operation of other tenants' equipment caused by Rooftop Equipment; provided, however, that Landlord shall use commercially reasonable efforts to enforce the rights of Tenant under this Lease to the extent the same are superior to that of any other tenants of the Property and shall comply with the provisions of Section 21.05, below. The provisions of this Section 21.03 shall survive the expiration or earlier termination of this Lease.

Section 21.04.Removal of Rooftop Equipment. Upon the expiration or earlier termination of the Lease, Tenant, at its sole cost and expense, shall (i) remove Rooftop Equipment from the Rooftop Installation Areas in accordance with the provisions of this Lease and (ii) leave the Rooftop Installation Areas in good order and repair, reasonable wear and tear excepted. If Tenant does not remove Rooftop Equipment when so required, Landlord may remove and dispose of it and charge Tenant for all costs and expenses incurred.

Section 21.05.Interference by Rooftop Equipment. Landlord may grant future roof rights to other parties, and Landlord shall be contractually obligated to cause such other parties to eliminate and avoid interference with Rooftop Equipment to the same or greater extent as Tenant is so obligated. If Rooftop Equipment (i) causes physical damage to the structural integrity of the Building, (ii) materially interferes with any telecommunications, mechanical or other systems located at or servicing (as of the initial Delivery Date) the Building, or (iii) interferes with any other service provided to other tenants in the Building by rooftop installations installed prior to the installation of Rooftop Equipment, in each case in excess of that permissible under F.C.C. or other regulations (to the extent that such regulations apply and do not require such tenants or those providing such services to correct such interference or damage), Tenant shall within five (5) business days of notice of a claim of interference or damage cooperate with Landlord or any other tenant or third party making such claim to determine the source of the damage or interference and effect a prompt solution at Tenant's expense (if Rooftop Equipment caused such interference or damage). In the event Tenant disputes Landlord's allegation that Rooftop Equipment is causing a problem with the Building (including, but not limited to, the electrical, HVAC, and mechanical systems of the Building) and/or any other Building tenants' equipment in the Building, in writing delivered within five (5) business days of receiving Landlord's notice claiming such interference, then Landlord and Tenant shall meet to discuss a solution, and if within seven (7) days of their initial meeting Landlord and Tenant are unable to resolve the dispute, then the matter shall be submitted to arbitration in accordance with the provisions set forth below.

The parties shall direct the Boston office of the AAA to appoint an arbitrator who shall have a minimum of ten (10) years experience in commercial real estate disputes and who shall not be affiliated with either Landlord or Tenant. Both Landlord and Tenant shall have the opportunity to present evidence and outside consultants to the arbitrator. The arbitration shall be conducted in accordance with the commercial real estate arbitration rules of the AAA insofar as such rules are not inconsistent with the provisions of this Lease (in which case the provisions of this Lease shall govern). The cost of the arbitration (exclusive of each party's witness and attorneys' fees, which shall be paid by such party) shall be borne equally by the parties. Within ten (10) days of appointment, the arbitrator shall determine whether or not Rooftop Equipment is causing a problem with the Building and/or any other Building tenants' equipment in the Building, and the appropriate resolution, if any. The arbitrator's decision shall be final and binding on the parties. If Tenant shall fail to cooperate with Landlord in resolving any such interference or if Tenant shall fail to implement the arbitrator's decision within ten (10) days after it is issued, Landlord may at any time thereafter (i) declare an Event of Default and/or (ii) relocate the item(s) of Rooftop Equipment in dispute in a manner consistent with the arbitral decision.

Section 21.06.Relocation of Rooftop Equipment. Based on Landlord's good faith determination that such a relocation is necessary, Landlord reserves the right to cause Tenant to relocate Rooftop Equipment located on the roof to comparably functional space on the roof by giving Tenant prior notice of such intention to relocate. If within thirty (30) days after receipt of such notice Tenant has not agreed with Landlord on the space to which Rooftop Equipment is to be relocated , the functional utility of such location, the timing of such relocation, and the terms of such relocation, then either party may submit such dispute to arbitration pursuant to Section 21.05, above (except that the arbitrators determination shall be of the space to which Rooftop Equipment is to be relocated, the timing of such relocation, and the terms of such relocation). Landlord agrees to pay the reasonable cost of moving Rooftop Equipment to such other space, taking such other steps necessary to ensure comparable functionality of Rooftop Equipment, and finishing such space to a condition comparable to the then condition of the current location of Rooftop Equipment. Such payment by Landlord shall not constitute an Operating Expense under this Lease. Tenant shall arrange for the relocation of Rooftop Equipment within sixty (60) days after a comparable space is agreed upon or determined by arbitration, as the case may be. In the event Tenant fails to arrange for said relocation within the sixty (60) day period, Landlord shall have the right to arrange for the relocation of Rooftop Equipment at Landlord's expense, all of which shall be performed in a manner designed to minimize interference with Tenant's business.

Article 22.

Extension Options

Section 22.01.Option to Extend. Provided that (i) Tenant is not in default hereunder, after any applicable notice and cure periods have expired, at the time Tenant gives its Extension Notice or at the time the applicable Option Term would commence, or (ii) no sublets of more than 50% of the Premises are then in effect that required Landlord's consent under Article 13, Tenant shall have the right, at its election, to extend the original term of this Lease for two (2) additional periods of five (5) years each (each, an "Option Term") commencing upon the expiration of the original term or first Option Term, as applicable, provided that Tenant shall give Landlord an irrevocable (except as expressly set forth in Section 22.04) written notice (an "Extension Notice") in the manner provided in Section 18.01 of the exercise of its election to so extend at least twelve (12) months, and no more than fifteen (15) months prior to the expiration of the term (as the same may have been extended) of this Lease. Except for this Article 22 with respect to the second such Option Term, the provisions of the Work Letter, and as expressly otherwise provided in this Lease, all the agreements and conditions in this Lease contained shall apply to the applicable Option Term, including without limitation the obligation to pay Additional Rent for Tenant's Pro Rata Share of Taxes and Tenant's Pro Rata Share of Operating Expenses. If Tenant shall give written notice as provided in Section 18.01 of the exercise of the election in the manner and within the time provided aforesaid, the term shall be extended upon the giving of the notice without the requirement of any action on the part of Landlord.

Section 22.02.Extension Rent. The annual Base Rent payable during any Option Term shall be the greater of (x) ninety-five percent (95%) of the Market Rent as determined in the manner set forth in Section 22.03, 22.04 and 22.05, below, or (y) $27.05 per rentable square foot per annum. If the annual Base Rent for any Option Term has not been determined by the commencement date of such Option Term, Tenant shall pay Base Rent at the last annual rental rate in effect for the expiring Term until such time as annual Base Rent for the Option Term has been determined. Upon such determination, the Base Rent for the Premises shall be retroactively adjusted to the commencement of the Option Term. If such adjustment results in an underpayment of Base Rent by Tenant, Tenant shall pay Landlord the amount of such underpayment within 30 days after the determination thereof. If such adjustment results in an overpayment of Base Rent by Tenant, Landlord shall credit such overpayment against the next installment of Base Rent due under the Lease and, to the extent necessary, any subsequent installments, until the entire amount of such overpayment has been credited against Base Rent.

Section 22.03.Market Rent. If Tenant gives Landlord timely notice of its election to extend the then current term of this Lease, then within thirty (30) days thereafter, Landlord shall give Tenant written notice of Landlord's estimate of the then applicable market rent for Tenant's space, based on the rent for similar space in the Property and rent for similar space in similar first class suburban office buildings in Waltham area (the "Market Rent") for the Premises in its then as-is condition (or such better condition as Tenant shall be required to maintain under this Lease), taking into account all of the factors that a landlord and tenant would consider in negotiating an arms-length rent (however, in no event shall the determination of Market Rent treat any portion of the Premises as being used for research or laboratory purposes, but rather that said determination of Market Rent shall treat the entire Premises as being used for office purposes for the purposes of determining such Market Rent). For each year of an Option Term after the first year of such Option Term, Base Rent shall never be decreased below that paid in the prior lease year, but may or may not, on account of the determination of Market Rent, increase.

Section 22.04.Tenant's Right to Dispute Market Rent. In the event that Tenant disputes the Market Rent estimate provided by Landlord, Tenant may, within 15 days of its receipt of notice from Landlord estimating such Market Rent, either (i) elect to withdraw its request for an extension, in which case there shall be no extension of the term of this Lease, or (ii) give notice to Landlord of such dispute and require that both Landlord and Tenant enter into a 15 day good faith negotiating period to see if Landlord and Tenant come to a mutual agreement in establishing the Market Rent. If Landlord and Tenant can come to agreement as to the Market Rent within such 15 day period, then the Market Rent shall be set for the purposes of the Option Term as the parties agree. If Landlord and Tenant cannot come to an agreement in establishing Market Rent within such 15 day period, then Tenant may either (x) elect to withdraw its request for an extension, in which case there shall be no extensions of the term of this lease, or (y) give notice to Landlord requiring that the establishment of the Market Rent be submitted to arbitration in accordance with the terms set forth in Section 22.05 below. If Tenant does not so dispute Landlord's estimated Market Rent within the 15 day period first referenced in this paragraph, Tenant shall be deemed to have accepted Landlord's estimate of Market Rent. In no event shall the

extension of the term of this Lease be affected by the determination of the Market Rent, such exercise of extension being fixed at the time at which notice is given (subject to the provisions of clauses (i) and (x), above).

Section 22.05.Arbitration of Market Rent. In the event Landlord and Tenant shall be unable to agree on the then Market Rent for the purposes of determining the Base Rent for the applicable Option Term, then Market Rent shall be established in the following manner of arbitration:

(a) Each of Tenant and Landlord shall choose an arbitrator knowledgeable in the field of establishing fair rental values in the Waltham Class A office market;

(b) The arbitrators selected in accordance with "(a)" above shall select a third arbitrator who is a qualified real estate appraiser with at least ten (10) years' experience in the appraisal of first class office buildings in the Waltham Class A office market;

(c) The selections shall be completed no later than twenty-one (21) days after Tenant's notice requiring the arbitration of Market Rent. If any selection is not made within the 21-day time period, either party may petition the Boston office of the AAA to make the selection;

(d) Within thirty (30) days after their appointment, the arbitrators shall determine the Market Rent for the Premises for the Option Term, and shall notify Tenant and Landlord of such determination within seven (7) days, which determination shall be final and binding upon Tenant and Landlord. If the arbitrators are unable to agree upon the Market Rent, the Market Rent will be deemed to be the average of the Market Rents proposed by the arbitrators, except that (i) if the lowest proposed Market Rent is less than 90% of the second to lowest proposed fair market rent, the lowest proposed Market Rent will automatically be deemed to be 90% of the second to lowest proposed Market Rent and (ii) if the highest proposed Market Rent is greater than 110% of the second to highest proposed Market Rent, the highest proposed Market Rent will automatically be deemed to be 110% of the second to highest proposed Market Rent.

(e) The foregoing arbitration shall be conducted in accordance with the commercial arbitration rules of the AAA or its successors;

(f) Landlord and Tenant shall each pay all costs of the arbitrator it selected and one-half ($^{1}/_{2}$) of all other costs of the arbitration proceedings.

For the purpose of determining Market Rent the parties shall use as a guideline the average rental rates for similar available office space (and shall value the subject space as 100% office space without regard for any research or laboratory use by Tenant) in similar office buildings in the Waltham market.

Article 23.

Right of First Refusal

Section 23.01.Right of First Refusal. Prior to January 17, 2011 (the "RFR Termination Date"), before entering into the initial lease for all or any portion of the third floor of the Building not initially leased to Tenant hereunder or any portion of the first floor of the Building shown on the attachedExhibit 23.01 (collectively, the "First Refusal Space") with a third party (other than Exempt RFR Transactions, as defined below), and provided that Landlord has received a written proposal or counter-proposal for the applicable First Refusal Space that Landlord is willing to accept (or Landlord has received an acceptance of a proposal initiated by Landlord, whether or not such acceptance is binding), Landlord shall offer the applicable First Refusal Space to Tenant for lease by written notice to Tenant ("Landlord's FR Notice"). Within five (5) business days after receipt of Landlord's FR Notice, Tenant may, by written notice delivered to Landlord, (i) reject Landlord's FR Notice, or (ii) accept Landlord's offer to lease such space for its own use on the terms set forth in this Article 23 (the failure by Tenant to timely respond as aforesaid being deemed Tenant's rejection of Landlord's FR Notice pursuant to clause (i), above).

If Landlord's FR Notice is rejected under clause (i) above (or deemed rejected by Tenant's failure to timely respond), then Landlord may enter into any lease for such space on materially the same terms set forth in such Landlord's FR Notice, provided that Landlord shall deliver to Tenant a new Landlord's FR Notice prior to entering into an initial lease for the applicable First Refusal Space (a) with any third party other than the party (or an affiliate of the party) that previously made the offer to, or accepted an offer from, Landlord giving rise to such prior Landlord's FR Notice, or (b) on terms materially more favorable to the party (or an affiliate of the party) that previously made the offer to, or accepted an offer from, Landlord giving rise to such prior Landlord's FR Notice, than those terms set forth in such prior Landlord's FR Notice (it being agreed that a net effective rental rate (after taking into account base rent, tenant improvement allowances, free rent and other concessions) of at least 95% of the net effective rental rate set forth in Landlord's FR Notice does not constitute materially more favorable terms).

If Tenant timely accepts Landlord's offer to lease the space as set forth in clause (ii) above, the space shall, subject to the following paragraph below and without further action by the parties, be leased by Tenant in its "as is" condition, without any obligation to construct tenant or other improvements (except that Landlord shall be responsible, at Landlord's sole cost and expense, to separately demise the space), and otherwise on the terms and conditions then applicable to the remainder of the Premises (e.g. the Base Rent shall be at the then-applicable rate, escalating as otherwise provided inSection 2.01) except that (x) the Finish Work

Allowance shall be reduced with respect to the applicable First Refusal Space on a pro rata basis for the actual initial lease term for such First Refusal Space (e.g. if the term of the First Refusal Space is eight years, then the Finish Work Allowance for the First Refusal Space would be 96/126ths of the Finish Work Allowance applicable to the remainder of the Premises on a per square foot basis), (y) the rent commencement date with respect to the applicable First Refusal Space shall be no later than the later to occur of (i) the Rent Commencement Date for the Office Portion of the Premises or (ii) seven (7) months after the execution of the amendment described in the immediately following sentence, and (z) the estimated delivery date that Landlord shall deliver the applicable First Refusal Space to Tenant for the commencement of construction of any Tenant Work shall be no later than the sixty (60) days after the execution of the amendment described in the immediately following sentence. At the request of either party, Landlord and Tenant shall promptly execute and deliver an agreement confirming such expansion of the Premises and the estimated date the Premises are to be expanded pursuant to this Paragraph with a provision for establishing the effective date of such expansion based on actual delivery. Tenant shall execute any such amendment within 21 days following tender by Landlord provided that such amendment complies with the terms of this Article 23. If Landlord fails to deliver the First Refusal Space within 90 days of the estimated delivery date set forth in Landlord's FR Notice, then Tenant, at its option, may either (x) terminate its obligations with respect to the First Refusal Space upon 30 days prior written notice to Landlord, whereupon all obligations of the parties hereto with respect to the First Refusal Space shall be null and void and without recourse to either party unless Landlord delivers the First Refusal Space within such 30 day period, in which case Tenant's termination notice shall be null and void and of no further force and effect or (y) if such failure results from matters within Landlord's reasonable control and is not cured within 30 days following written notice from Tenant, pursue any of its equitable remedies to cause Landlord to deliver such First Refusal Space to Tenant and bring a claim for monetary damages against Landlord, but in no event shall such failure constitute a default of Landlord, result in a right of Tenant to terminate the Lease with respect to the remainder of the Premises, or affect the validity of the Lease.

In no event shall the rights under this Section 23.01 apply to (x) leases subsequent to the initial lease or leases of all or any portion of the First Refusal Space (such leases, "Initial Leases"), or (y) any space offered to lease for use as a building amenity, such as a cafeteria or fitness center (collectively, "Exempt RFR Transactions").

Notwithstanding any provision of this Section to the contrary, Tenant's rights under this Section shall terminate on the RFR Termination Date and shall be void, at Landlord's election, if (i) Tenant is in default hereunder, after any applicable notice and cure periods have expired, at any time prior to the time Tenant makes any election with respect to the First Refusal Space under this Section or at the time the First Refusal Space would be added to the Premises, or (ii) subleases of more than 50% of the Premises are in effect that required Landlord's consent under Article 13 at the time Tenant makes any election with respect to the First Refusal Space under this Section or at the time the First Refusal Space would be added to the Premises.

In connection with the rights granted under this Article 23, Landlord shall, prior to the RFR Termination Date, keep Tenant reasonably informed from time to time of the leasing status of any then-available Right of First Refusal space.

Article 24.

Right of First Offer

Section 24.01.Right of First Offer. Following the RFR Termination Date, before entering into a lease for all or any portion of the Building (the "First Offer Space") with a third party (other than Exempt RFO Transactions, as defined below), Landlord shall notify Tenant of the terms on which Landlord intends to lease the space ("Landlord's FO Notice"). Within five (5) business days after receipt of Landlord's FO Notice, Tenant may, by written notice delivered to Landlord, (i) reject Landlord's FO Notice, or (ii) unconditionally and irrevocably accept Landlord's offer to lease such space for its own use on the terms set forth in Landlord's FO Notice (the failure by Tenant to timely respond as aforesaid being deemed Tenant's rejection of Landlord's FO Notice pursuant to clause (i), above).

If Landlord's FO Notice is rejected under clause (i) above (or deemed rejected by Tenant's failure to timely respond), then Landlord may enter into any lease for such space on materially the same net financial terms set forth in such Landlord's FO Notice, provided that Landlord shall deliver to Tenant a new Landlord's FO Notice prior to entering into an initial lease for the First Offer Space providing for a net effective rental rate (taking into account base rent, tenant improvement allowances, free rent and other concessions) more than five (5) percent less than that specified in Landlord's FO Notice.

If Tenant timely accepts Landlord's offer to lease the space as set forth in clause (ii) above, then the space shall, subject to the following paragraph below and without further action by the parties, be leased by Tenant on the accepted terms (but in any event for a term not less than the shorter of three years or the then-remaining term of this Lease) and otherwise on all of the terms of the Lease in effect immediately prior to such expansion, provided that, at the request of either party, Landlord and Tenant shall promptly execute and deliver an agreement confirming such expansion of the Premises and the estimated date the Premises are to be expanded pursuant to this Paragraph with a provision for establishing the effective date of such expansion based on actual delivery. Except as otherwise agreed by the parties in writing, Landlord's failure to deliver, or delay in delivering, all or any part of the First Offer Space, for any reason, shall not alter Tenant's obligation to accept such space when delivered, shall not constitute a default of Landlord, and shall not affect the validity of the Lease, provided, however, that if Landlord fails to deliver the First Offer Space within 180 days of the date set forth for delivery in Landlord's FO Notice, then Tenant, at its sole option, may terminate its obligations with respect to the First Offer Space upon 30 days prior written notice to Landlord, whereupon all obligations of the parties hereto with respect to the First Offer Space shall be null and void and without recourse to either party unless Landlord delivers the First Offer Space within such 30 day period, in which case Tenant's termination notice shall be null and void and of no further force and effect. Landlord shall use commercially reasonable efforts to commence and diligently prosecute legal action to evict any tenant holding over in First Offer Space subject to an accepted offer by Tenant pursuant to this Section 24.01 commencing no later than the date that is 30 days following the date that Landlord is anticipated to deliver such First Offer Space to Tenant.

In no event shall the rights under this Section 24.01 apply to (x) the initial lease for all or any portion of the First Offer Space and the renewal or extension thereof (such leases, "Initial Leases"), (y) any space offered to lease for use as a building amenity, such as a cafeteria or fitness center, or (z) solely with respect to the first and second floor portions of the First Offer Space, the exercise of an expansion right by a then-existing Building tenant or the renewal or extension of leases by occupants of the first and second floor (collectively, "Exempt RFO Transactions").

Notwithstanding any provision of this Section to the contrary, Tenant's rights under this Section shall terminate on the date that is one year prior to the Expiration Date and shall be void, at Landlord's election, if (i) Tenant is in default hereunder, after any applicable notice and cure periods have expired, at any time prior to the time Tenant makes any election with respect to the First Offer Space under this Section or at the time the First Offer Space would be added to the Premises, or (ii) subleases of more than 50% of the Premises are in effect that required Landlord's consent under Article 13 at the time Tenant makes any election with respect to the First Offer Space under this Section or at the time the First Offer Space would be added to the Premises. Nothing in this Section shall be construed to grant to Tenant any rights or interest in any space in the Building, and any claims by Tenant alleging a failure of Landlord to comply herewith shall be limited to claims for monetary damages. Tenant may not assert and hereby waives any rights in any space nor file any lis pendens or similar notice with respect thereto.

Article 25.

Expansion Option

Section 25.01.Expansion Option. Tenant shall have the right to request that Landlord pursue the expansion of the Building by approximately 45,000 rentable square feet upon at least 30 days prior written notice to Landlord. Following the giving of such written notice, Landlord and Tenant shall cooperate in good faith to agree upon a schedule and budget for any such expansion, which shall include a pre-development phase for permitting. Any such expansion shall be conditioned upon (i) the parties entering into a mutually agreeable lease amendment at market rent (taking into account the current building financing, financing available in the market, and allowing a market return to Landlord on its costs to construct such expansion) and for a term of at least 10 years (which may be achieved by use of any extension options under the Lease then remaining) and (ii) Landlord's ability to obtain the necessary permits for such expansion (using good faith, commercially reasonable efforts to do so). Tenant shall have no right to request an expansion under this section at any time that an Event of Default then exists, if Tenant ceases to occupy at least 66% of the Premises, or if, at the time Tenant gives its notice or at any time thereafter, there are at least 45,000 rentable square feet available for lease in the Building.

It is intended that this instrument will take effect as a sealed instrument.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Landlord and Tenant have signed the same as of the date first appearing above.

LANDLORD:

PDM 850 UNIT, LLC

By: PD Winter Street, LLC, its sole member

By: /s/ Paul R. Marcus
Name: Paul R. Marcus
Title: A Member of Its Executive Committee

TENANT:

ALKERMES, INC.

By: /s/ Gordon G. Pugh
Name: Gordon G. Pugh
Title: Chief Operating Officer

By: /s/ James M. Frates
Name: James M. Frates
Title: Chief Financial Officer

Exhibit 21.1

SUBSIDIARIES

Name	Percentage Ownership	Jurisdiction
Alkermes Controlled Therapeutics, Inc.	100%	Pennsylvania
Alkermes Europe, Ltd.	100%	United Kingdom
RC Royalty Sub LLC	100%	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (Nos. 333-34702 and 333-75649) and Form S-8 (Nos. 33-44752, 33-97468, 333-13283, 333-48768, 333-48772, 333-50357, 333-71011, 333-72988, 333-89573, 333-89575, 333-107206, 333-107208, 333-109376, 333-124269, 333-137549, 333-137550,333-137552, 333-157194 and 333-157195) of Alkermes, Inc. of our report dated May 28, 2009 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP
Boston, Massachusetts
May 28, 2009

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-34702 and 333-75649 on Form S-3 and Registration Statement Nos. 33-44752, 33-97468, 333-13283, 333-48768, 333-48772, 333-50357, 333-71011, 333-72988, 333-89573, 333-89575, 333-107206, 333-107208, 333-109376, 333-124269, 333-137549, 333-137550, 333-137552, 333-157194 and 333-157195 on Form S-8 of our report dated June 14, 2007, relating to the financial statements of Alkermes, Inc. (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* on April 1, 2006), appearing in this Annual Report on Form 10-K of Alkermes, Inc. for the year ended March 31, 2009.

/s/ DELOITTE & TOUCHE LLP
Boston, Massachusetts
May 27, 2009

EXHIBIT 31.1

CERTIFICATIONS

I, David A. Broecker, certify that:

1. I have reviewed this annual report on Form 10-K of Alkermes, 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(s) 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(s) 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.

/s/ David A. Broecker

David A. Broecker
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 28, 2009

EXHIBIT 31.2

CERTIFICATIONS

I, James M. Frates, certify that:

1. I have reviewed this annual report on Form 10-K of Alkermes, 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(s) 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(s) 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.

/s/ James M. Frates

James M. Frates
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: May 28, 2009

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 Alkermes, Inc. (the "Company") on Form 10-K for the period ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, David A. Broecker, President and Chief Executive Officer of the Company, and James M. Frates, Chief Financial Officer and Treasurer 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, to my knowledge that:

(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.

/s/ David A. Broecker
David A. Broecker
President and Chief Executive Officer
(Principal Executive Officer)

/s/ James M. Frates
James M. Frates
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: May 28, 2009